2001 Annual Report

Job Protection Commission

DOC
BC
J62
B
2001
c.3

JUL 17 2002

LEGISLATIVE LIBRARY OF BRITISH COLUMBIA
3 3298 00265 4599

102-06801/

2001 Annual Report

Job Protection Commission

BRITISH COLUMBIA

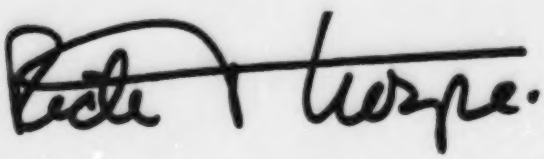
The Honourable Iona Campognolo

Lieutenant Governor

Province of British Columbia

May It Please Your Honour:

I respectfully submit to you the annual report of the Job Protection Commission for the period January 1, 2001 to December 31, 2001.



Rick Thorpe

Minister of Competition, Science and Enterprise

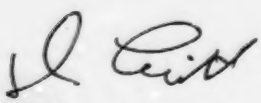
The Honourable Rick Thorpe

Minister of Competition, Science and Enterprise

Province of British Columbia

Sir:

I am pleased to submit my report of the activities of the Job Protection Commission for the period January 1, 2001 to December 31, 2001.



Donald Leitch

Deputy Minister

Ministry of Competition, Science and Enterprise

TABLE OF CONTENTS

Report of the past Job Protection Commissioner 1

Activities Summary 2

Expenditure Statement 3

Professional Services Summary 3

Special Projects - General

British Columbia Book Publishing Industry 4

Approvals Completed

Economic Plans

Bell Pole Company 5

Biport Forest Products Ltd. 7

Boyle and Dean Logging Ltd. 9

Bridgeside Higa Forest Industries Ltd. 10

C GED Forest Products Ltd. 12

Canema Timber Ltd. 14

Cattermole Timber 16

International Forest Products Limited 17

J.S. Jones Timber Ltd. 19

Kispiox Forest Products Ltd. 21

Lakeside Pacific Forest Products Ltd. 24

Lineham Logging Ltd. 25

Seaton Timber Inc. 26

Simpcw Development Co. Ltd. 28

Thompson Creek Mining Ltd. 30

Thomson Industries Ltd. 32
Timfor Contractors Ltd. 34
Triumph Timber Ltd. 37
West Coast Forest Products Ltd. 39
West Fraser Mills Ltd. 40

Mediation Plans

British Columbia Cranberry Growers Association 43
Century Pacific Greenhouses Ltd. 45
Cranwest Farms Limited Partnership 47
Gipaanda Greenhouses Ltd. 48
Katatheon Farms Group 50
Millennium Pacific Greenhouse Partnership 51

Counseling

Mill Creek Wood Products 53

Strategic Industries 54

Acts and Charters 55

REPORT OF THE JOB PROTECTION COMMISSIONER

The Job Protection Commission (JPC) experienced a busy start to the year in 2001, but activity started to taper off in the latter half of the year as it became clear that the JPC would be wound down in early 2002. However, assistance was still provided to operations in a variety of industries. We worked with companies involved in cranberry farming, logging, sawmilling, value-added forest products, greenhouse vegetable production and mining.

Much of the JPC activity in the forest industry was caused by continuing weakness in Asian lumber markets and restricted access to U.S. markets, first because of the Softwood Lumber Agreement and later because of countervailing and anti-dumping duties instituted by the U.S. Commerce Department. This depressed prices so much that in a number of cases JPC assistance was required to help companies increase revenues or lower costs enough to justify operating at all.

The JPC worked closely with the Ministry of Forests and legal council to defend our position that the British Columbia softwood lumber industry is not being subsidized by the activities of the JPC. We are confident that we will win that battle, but final resolution of that issue is months or possibly years away, as it may be settled in North American Free Trade Agreement (NAFTA) or World Trade Organization (WTO) proceedings.

In the mining industry, commodity prices increased enough to allow some mines to stay open, but not enough to justify expansion or restart of an existing mine that has been under care and maintenance. One mine and one pulp mill that we had previously assisted closed down indefinitely during the year because of low commodity prices.

At the end of 2000 there was a major run up in natural gas prices, to the extent that many industries that consume large volumes of natural gas were facing huge losses and were forced to curtail operations. In particular, the greenhouse industry, which employs approximately 10,000 people in British Columbia, was very hard hit, and asked for the involvement of the JPC to help find a solution to its problems.

The plans the JPC developed for this and other industries often helped companies increase revenues and/or reduce their cash costs of operations. In other cases, we helped companies obtain new debt or equity financing or deferrals from both private and public sector sources. We were also able to facilitate participation by municipalities, the federal government and labour. During late 2001 natural gas prices moderated to a more normal level, and the greenhouse companies that were the beneficiaries of those Economic and Mediation Plans are for the most part back on a sound financial footing.

The intent of our assistance was to help companies bridge through to a time when prices and market access improve. The result of the Economic and Mediation Plans we developed was that jobs were saved at a mine, four vegetable greenhouse operations, several cranberry farms, an oyster farm, and at 19 companies that were involved at various levels with the forest industry.

JPC Economic or Mediation Plans require the participation of as many of the material stakeholders as possible to make them successful. They call for flexibility on the part of government, labour and industry participants to facilitate economic activity. Where new funding or deferrals of existing debt were required, the private sector provided 69 per cent, the province provided 26 per cent, the federal government provided three per cent, and labour provided two per cent of those financial commitments.

During 2001, as in the past, the JPC enjoyed exceptional co-operation from the many federal, provincial, municipal and private sector organizations with which we interacted on a daily basis. As a result, during 2001 we were able to develop and bring to completion 20 Economic Plans, six Mediation Plans, and provide counseling services to a variety of companies. In total this helped to maintain 5,600 jobs in British Columbia during 2001.

As part of the restructuring of government in British Columbia, the JPC is being eliminated effective February 28, 2002. In this, the final year of the JPC, I want to close by acknowledging and thanking the full- and part-time JPC staff of John Auld, Art Fink, Janet Friesen, Denis MacAree and Ed Sorel for their hard work and perseverance during this and previous years. They have made it possible for the commission to carry out its mandate of protecting jobs in British Columbia by helping viable but financially troubled companies restructure rather than close down.

Eric van Soeren
Job Protection Commissioner
February 2002

ACTIVITIES SUMMARY

During calendar 2001, the Commission received 42 enquiries (97 in 2000; 103 in 1999), which resulted in 27 projects/cases. Of these, 20 Economic Plans and six Mediation Plans were authorized, which resulted in 2,626 jobs being saved (1,925 in 2000; 4,008 in 1999). These together with those through counseling services that were provided to one company and one special project, helped maintain a total of 5,600 jobs (12,709 in 2000; 7,466 in 1999).

The distinction between jobs saved and jobs maintained is that the jobs saved number only includes companies for which a formal Economic or Mediation Plan was developed, or which were part of a special funding project delivered through the JPC. The jobs maintained number includes the jobs saved plus jobs in companies that received counseling or business advice resulting in jobs being maintained at those companies.

The following charts represent funding allocations by the various contributors to Economic and Mediation Plans for 2001:

Financial Participation in JPC Plans During Calendar Year 2001

Private Sector	69.3%
Provincial	26.3%
Federal	2.5%
Employees/Unions	1.5%
Municipal	0.4%

EXPENDITURE STATEMENT 2001

Contracted professional services*	$463,785
Cost recoveries	(94,900)
Salaries	86,232
Employee benefits	16,599
Travel expenses	1,759
Information services - operating	12,172
Office and business expenses	22,715
TOTAL	**$508,362**

* PROFESSIONAL SERVICES SUMMARY

Consultant	Company
Arthur Fink	Commission Office - Project Analyst
D. & B. Alder and Associates Ltd.	Commission Office - Project Analyst
Eric van Soeren	Commission Office - Job Protection Commissioner
Janet Friesen	Commission Office - Office Manager
Jim McWilliams and Associates	Mill Creek Wood Products
John Auld & Associates	Commission Office - Project Analyst
Rowland Lorimer	British Columbia Book Publishing Industry
Sterling Wood Group Inc.	Louis Russo Group of Companies
Willis Energy Services Ltd.	British Columbia Hothouse Industry

SPECIAL PROJECTS - GENERAL

British Columbia Book Publishing Industry

The Association of Book Publishers of British Columbia approached the Ministry of Small Business, Tourism and Culture in early 2001 as a result of certain unprecedented problems faced by its members. As a result of financial difficulties encountered by a major Eastern distributor and the Chapter chain of bookstores, publishers in British Columbia were facing restricted cash flows, the prospect of reduced retail outlets and increased return of books.

The Job Protection Commission and the Ministry of Small Business, Tourism and Culture engaged a consultant, Mr. Rowland Lorimer to undertake a review of the publishing industry in British Columbia. The terms of reference required the report to comment on the state of the industry, the challenges it faced and the significance of the industry to the British Columbia economy.

The consultant's report was completed in May 2001. A copy was provided to the government along with a covering letter from the Job Protection Commissioner commenting on the findings and recommendations of the consultant.

APPROVALS COMPLETED – ECONOMIC PLANS

Bell Pole Company

Bell Pole Company (Bell Pole) is a privately owned firm established in 1909, and has been operating in British Columbia since 1926. The primary emphasis of the company is the production and marketing of roundwood utility poles for the electricity utility markets of Canada and the U.S.

In 2001, the company had tenure rights to harvest 172,326 m3 annually within eight Timber Supply Areas distributed in four Forest Regions. From its own harvest, the company had found that less than five per cent was suitable for manufacture into utility poles. The company traded or sold the non-pole volumes from its harvest in exchange for poles supplied by other licenced tenure holders. Poles originating from British Columbia were handled at one of the company's processing yards situated at Christina Lake, Haney, Lumby, Revelstoke and Terrace. The poles were then prepared for sale at one of its two treating plants located at Carseland, Alta. and New Brighton, Minn.

In the Northwest part of British Columbia, Bell Pole managed Forest Licence A16832 (55,414 m3 AAC - Kispiox TSA) and Forest Licence A16836 (13,741 m3 AAC - Kalum TSA). The company employed eight people directly for forest management functions and approximately another 18 jobs were provided annually for road building, silviculture, logging and other related activities on behalf of Bell Pole.

Components of Plan:

1. The term of this plan was for a period from the date it was deemed to be in full force and effect until May 1, 2006.

2. Bell Pole Company agreed to make best efforts to harvest a combined total of 114,790 m3 from Forest Licence A16832 and Forest Licence A16836 during 2001. It agreed to use reasonable commercial efforts throughout the term of the Economic Plan to consider normal woodlands operations in the Kispiox TSA and Kalum TSA within the cut control provisions of Forest Licence A16832 and Forest Licence A16836. It agreed to utilize log sort yard and processing facilities within the Prince Rupert Forest Region where it was feasible to do so, and only to apply for exemption to export nonmanufactured timber from Forest Licence A16832 and Forest Licence A16836 under the following conditions:
   i) in each calendar year, the accumulated volume of timber from these tenures approved for export and under application would not exceed 27.3 per cent of the volume of timber scaled under these tenures, in total, within the calendar year;
   ii) applications would not include cedar and cypress; and
   iii) applications would include a comparison of volume scaled to date in the calendar year versus volume approved or applied for export in the same period.

   Bell Pole agreed to export logs, where permitted to do so, only from existing coastal log marketing areas within the Prince Rupert Forest Region, and to use reasonable commercial efforts to make timber harvested under Forest Licence A16832 and Forest Licence A16836 available at market prices for purchase by persons operating timber processing

facilities within the Prince Rupert Forest Region for processing in such facilities. It committed to doing everything reasonably possible in calendar year 2001 to remedy the harvest deficiency, and to work cooperatively with the Ministry of Forests and appropriate stakeholders to develop policy proposals that improved the stability of the Northwest forest sector, recognizing that implementation of such policies might entail phase out of relevant components in this Economic Plan. Policy areas to consider might include cut control and timber allocation flexibility, and alternative timber pricing processes.

3. The Ministry of Forests (MoF) at the end of the 1997-2001 cut control period and in acknowledgement that it would be in furtherance of this Economic Plan, agreed to commit the regional manager to determine if Bell Pole made best efforts to harvest approximately 114,790m3 from Forest Licences A16832 and A16836 in 2001and having made best efforts Bell Pole still realized a harvest deficiency for the 1997-2001 cut control period, the regional manager would use his authority under section 2(2) of the Cut Control Regulation to refrain from reducing the AAC of Forest Licences A16832 and A16836.

   MoF agreed to work cooperatively with Bell Pole Company and appropriate stakeholders to develop policy proposals that improved the stability of the Northwest Forest sector, recognizing that implementation of such policies might entail phase out of relevant components in this Economic Plan. The Ministry also agreed to revise the billing threshold applicable to Forest Licence A16832 and Forest Licence A16836 such that up to 35m/ha of waste and residue could be left on site without monetary billing, on the understanding that any change in utilization would not effect Bell Pole's silviculture obligation.

4. The regional manager, during the term of this Economic Plan, agreed to consider applications under Section 128(2) of the *Forest Act* for exemptions to export unmanufactured timber from Forest Licence A16832 and Forest Licence A16836. It agreed to facilitate evaluation of such applications, and to assess and monitor the economic circumstances applicable to Forest Licence A16832 and Forest Licence A16836, using a methodology that the regional manager considers appropriate to the circumstances and consistent with the criteria of Section 128(3)(b) of the *Forest Act*. The regional manager also agreed to request from time to time information from the licensee regarding actual and proposed harvest and export volumes, operating and processing costs and other economic data that the regional manager requires for the above assessment. He agreed to deny any applications that do not meet the criteria of Section 128 of the *Forest Act* and to stipulate a fee in lieu of manufacturing of $1/m3 for timber from Forest Licence A16832 and Forest Licence A16836 that is approved for export within the term of this Economic Plan; and if appropriate, stipulate in any exemption to export timber, conditions to be met.

Date Authorized:	July 4, 2001
Date in Force and Effect:	August 17, 2001

Biport Forest Products Ltd.

A group of loosely related companies (the Logex Group) has been logging in the Prince Rupert area for 16 years. Unserviceable term debts and major trade accounts accumulated as a result of over expansion and a collapse of the log market. The Bank of Montreal took steps to realize on its security but was content to permit the principal to retain conduct of the liquidation of assets.

Good progress was made in reducing the Bank of Montreal loans from some $2.1 million in 1998 to about $400,000. The remaining marine assets plus a charge on the principal's home were held as coverage for this remaining balance. However, approximately $45,000 in statutory claims, $120,000 owing to trade creditors, about $150,000 owing to a sawmill/customer and $613,000 (plus additional accruing interest) owing by the dormant Sommerville Resources Ltd. to the Ministry of Forests (MoF) remained outstanding with no apparent means of payment.

The debts were separately owing by different companies but the group was willing to share resources to reduce as much indebtedness as possible regardless of a possible lack of individual corporate responsibilities.

Unfortunately, it appeared that a conventional domestic logging operation would be of questionable viability. However if export of a portion of the cut (estimated at 40 per cent) was permitted, the economics were greatly improved. On this basis, if the operation could retain the use of part of the remaining major equipment, and if the creditors would accept repayment, possibly at a discount, from the sale of the balance of the assets plus future profits, it appeared that the operation could be modestly profitable and could retire or reduce debt that might otherwise be abandoned. In the preceding Economic Plan (Dated April 13, 2000), Mill and Timber Ltd., who is the major customer for cedar logs, agreed to provide further financial support to the group to restart the operations. In exchange, they were to see a reduction in their advances from the proceeds of the log sales and would be able to purchase all of the cedar logs (estimated at 10,000 m3) from the Goat Harbour harvest. Subsequent to the signing of the April 13, 2000 Plan, Mill and Timber reconsidered the proposal and did not wish to proceed with the Plan. Biport carried out negotiations between the JPC, MoF and Arrowhead Forests Products Ltd. for Arrowhead to assume Mill and Timber's role in harvesting the Goat Harbour timber.

This Economic Plan was developed to supersede the April 13, 2000 Economic Plan and, with the support of the participants of the previous Economic Plan and Arrowhead Forest Products Ltd., to assist Biport Forest Products Ltd. in re-establishing a logging operation and thereby restoring 15 to 20 direct jobs. If successful, and once existing debts were reduced to a manageable level, it was hoped that the principal would be able to continue the re-established logging operation and to proceed with longer term plans for the completion of a small value-added timber processing facility.

Components of the Plan:

1. MoF agreed to extend the expiry date of the 37,000 m3 (approx.) Goat Harbour Timber Licence TO333 from June 2000 to June 2001. In order to stimulate logging activity, to increase the supply of logs for domestic mills, to reduce unsecured stumpage arrears from an associated company, and to facilitate the re-establishment of a reputable independent regional logging operation, MoF agreed to consider the approval of one or more ministerial orders for the export of a maximum of 15,000 m3 of the timber harvested from Timber Licence TO333 (Goat Harbour), with the balance of approximately 22,000 m3 going to the domestic market, including IWA mills. (A ministerial order is an approval of a Log Export Application for less than 15,000 m3 of harvested timber, by the Minister or his designate

under Section 128(2) of the *Forest Act*). The exports would be authorized only for the period between the authorization of this Plan and July 31, 2001, if the Minister or his designate was satisfied that the timber from Timber Licence TO333 met the criteria for exemption under Section 128 of the *Forest Act*.

In addition to current stumpage charges, MoF required a payment of a fee in lieu of manufacturing of $1/m3 on the export of the timber, and might impose other requirements, conditions and limitations in respect of the timber to be exported. MoF also required payment of current stumpage as these charges became due and prior to shipment on logs for export.

MoF agreed to accept a $90,000 prepayment from Arrowhead Forest Products Ltd., on behalf of Biport Forest Products Ltd., as a reduction of stumpage account owing by Sommerville Resources Ltd., and to acknowledge that this Plan superseded the April 13, 2000 Plan.

2. Arrowhead Forest Products Ltd. agreed to provide operating capital, either by way of advances or subcontracting, to permit the harvest of the Goat Harbour timber, and to purchase all of the logs at mutually agreed prices from the remaining Goat Harbour timber.

   Arrowhead agreed to make a payment of $90,000 to MoF, on behalf of Biport Forest Products Ltd., to reduce the stumpage account owing by Sommerville Resources Ltd. It also agreed to complete a satisfactory agreement with Mill and Timber Ltd. and Biport Forest Products Ltd. to retire Biport's account (estimated at $150,000) with Mill and Timber.

3. Biport Forest Products Ltd. agreed to make payments to MoF on current stumpage as these charges became due, and agreed to Arrowhead Forest Products Ltd. making a prepayment of $90,000, on behalf of Biport Forest Products Ltd., to reduce the stumpage account owing by Sommerville Resources Ltd. It agreed to continue, on a best efforts basis, to reduce the stumpage account owing by Sommerville Resources Ltd., and to make payments of current stumpage, fee in lieu of manufacturing and arrears stumpage, prior to shipment.

   Biport agreed to supply MoF with a schedule of events outlining the planned commencement and completion dates for all harvesting, all deactivation, and all silviculture activities associated with Timber Licence TO333. Biport would not commence operation on TO333 until its proposed schedule of events was approved by the District Manager of the North Coast Forest District, and Biport would follow the approved schedule.

   The company agreed to sell the logs from the Goat Harbour licence harvest to Arrowhead Forest Products Ltd. at mutually agreed market prices, and to complete a mutually satisfactory agreement with Arrowhead Forest Products Ltd. and Mill and Timber Ltd. to retire Biport's payable account with Mill and Timber Ltd. Finally, it acknowledged that this Plan superseded the April 13, 2000 Plan.

4. Mill and Timber Ltd. agreed to complete a mutually satisfactory agreement with Arrowhead Forest Products Ltd. and Biport Forest Products Ltd to retire the Biport account payable with Mill and Timber Ltd. It agreed to release its interest in the previous Economic Plan, dated April 13, 2000, to Arrowhead Forests Products Ltd., and acknowledged that this Plan superseded the April 13, 2000 Plan.

Date Authorized:	October 13, 2000
Date in Force and Effect:	February 13, 2001

Boyle and Dean Logging Ltd.

Boyle and Dean Logging Ltd. (BDL) is part of the Clarke Group of companies. The company holds Forest Licence A16838 in the North Coast Forest District and has been operating in a number of drainages in the Prince Rupert area since 1988. It supports 15 full time equivalent jobs through its activities.

In early 2001, the Province implemented the Coastal Hemlock Action Plan as a trial stumpage pricing system to deal with operators working in stands with over 60 per cent hemlock, as is the case with BDL. In addition, the company operated within the area covered by the recently announced Northwest Strategy. As a result, the management of BDL had requested an Economic Plan to assist with completing the harvest of cutting permits 20 and 21 in 2001. Despite the reduced stumpage, without the ability to export any of the fibre from the cutting permits, the company would face a significant accounting loss. With the ability to export 50 per cent of the remaining 23,515 m3, the company's loss would be reduced sufficiently to permit harvesting. Once this Economic Plan was approved and a degree of certainty obtained, it was the company's intention to commence the necessary work to receive approvals for additional cutting permits to permit logging into 2002 and beyond.

The purpose of this Economic Plan was to address the economic dilemma that the company was facing while generating economic activity in the forest sector.

Components of Plan:

1. The term of this Plan is from January 1, 2001 until December 31, 2005.

2. Boyle and Dean Logging Ltd. agreed to make best efforts to complete harvesting of cutting permits 20 and 21 within Forest Licence A16838 during 2001, and to complete the necessary planning to obtain cutting permit approvals to ensure harvesting in 2002 through 2005. The company agreed to use reasonable commercial efforts throughout the term of the Economic Plan to conduct normal woodlands operations in the North Coast TSA within the cut control provisions of forest licence A16838, and to utilize log sort yard and processing facilities within the North Coast Forest District where it was financially viable to do so.

   Boyle and Dean agreed to export logs, where permitted to do so, only from existing coastal log marketing areas within the Prince Rupert Forest Region, and to use reasonable commercial efforts to make timber harvested under forest licence A16838 available at market prices for purchase by persons operating timber processing facilities within the North Coast Forest District for processing in such facilities. It committed to doing everything reasonably possible in calendar years 2001-2002 to remedy the harvest deficiency, and to work cooperatively with the MoF and appropriate stakeholders to develop policy proposals that improved stability of the Northwest forest sector, recognizing that implementation of such policies might entail phase out of relevant components in this Economic Plan.

3. MoF agreed to work cooperatively with Boyle and Dean Logging Ltd. and appropriate stakeholders to develop policy proposals that improved stability of the Northwest forest sector, recognizing that implementation of such policies might entail phase out of relevant components in this Economic Plan.

4. The regional manager, Prince Rupert Forest Region, considered the economic circumstances applicable to Forest Licence A16838, and was satisfied that the timber harvested under Forest Licence A16838 could not be processed economically in the vicinity of the land from which it was cut or produced, and it could not be transported economically to a processing facility located elsewhere in British Columbia. Therefore, in order to stimulate logging activity and increase the supply of logs for domestic sawmills and pulp mills, the regional manager agreed to consider applications for permission to export logs from Forest Licence A16838 under section 128(2) of the *Forest Act* during the Term of this Economic Plan on the following conditions:

   - the accumulated volume approved for export would not exceed 50 per cent of the volume of logs scaled under Forest Licence A16838 within each calendar year;
   - applications would be in a form required by the regional manager;
   - when requested, the licensee would promptly provide information regarding harvest and export volumes and relevant economic data to the regional manager;
   - in the event that logs were exported pursuant to the applications referred to above, the fee in lieu of manufacturing would be set at $1/m3, and
   - any approval for permission to export logs granted by the regional manager might stipulate other conditions to be met.

5. The Truck Loggers' Association endorsed the Plan.

Date Authorized:	March 8, 2001
Date in Force and Effect:	March 12, 2001

Bridgeside Higa Forest Industries Ltd.

Bridgeside Higa Forest Industries Ltd. established a lumber remanufacturing operation in Lillooet in 1986. It employs 80 people. By 1996 the company had established annual sales of approximately $10 million, primarily to Japan and Taiwan, and was profitable. Consequently, in 1997, the company embarked on a major $2 million expansion to add a high production precision cutting saw line and European jointing equipment to permit a wider product line. Transition Jobs Fund assistance was obtained to offset initial training expenses.

Before any benefits could be realized from the expansion, the major markets collapsed, resulting in substantial losses in the fiscal years ended January 31, 1998 and 1999. Although improvements were made, largely through sale of timber, losses continued through the year ended January 31, 2000.

Cash earnings of over $400,000 were generated for the full 12 month period ended January 31, 2001. However, these earnings were committed to scheduled reduction of term debt and acquisition of some needed items of equipment, so consequently no improvement to the working capital position was possible.

In 2001, the downturn had a serious affect on the company's ability to function as the operation had not yet recovered sufficiently to withstand major interruptions to its cash flow. Trade payables had become somewhat extended. The company was well structured to take advantage of available markets providing the working capital could be maintained and/or strengthened. A Federally sponsored Industrial Adjustment Service Committee had been put in place and a six month work share program providing wage support flexibility, if needed, of up to two days per week, for hourly staff, was implemented. The District of Lillooet, Workers' Compensation Board, Canadian Imperial Bank of Commerce, Royal Bank of Canada, and Business Development Bank all contributed to strengthen working capital to alleviate the operation's cash difficulties.

This Economic Plan was developed to replenish depleted working capital, and supplement cash flow, thereby providing reasonable assurance of continued operations. As a result of this Plan, the company's financing could be brought in line to satisfy existing lenders or facilitate new banking connections. Also, opportunities to introduce First Nations investments or related business ventures might be created.

Components of the Plan:

1 Canadian Imperial Bank of Commerce agreed to provide a line of credit and overdraft accommodation of $900,000, reducing to $650,000 by November 2001, in favour of Bridgeside Higa Forest Industries Ltd., secured by first charges on inventory and receivables, subject to the bank's lending guidelines and on the basis that there is no significant deterioration in the overall financial position of the company. It also agreed to reduce principal payments on term loans by $40,800 over the next 12 months.

2. The Business Development Bank of Canada agreed to defer principal payments on existing term loans for three months totaling approximately $27,900.

3. The Royal Bank of Canada agreed to defer principal payments on existing lease agreements for three months totaling approximately $21,000.

4. Workers' Compensation Board agreed that the quarterly premium payment due July 2001 and October 2001 would be offset against the balance of approximately $72,000 rebate credited to Bridgeside Higa Forest Industries Ltd.

5. The District of Lillooet confirmed that the property tax deferral agreement it entered into with Bridgeside Higa in the February 16, 2000 Economic Plan was in good standing and would continue.

6. Bridgeside Higa Forest Industries Ltd agreed to issue $200,000 in preferred shares to existing shareholders on receipt of new investment that had been pledged. It agreed to continue maintaining employment of at least 65 full time workers in accordance with commitments included in TSL applications. It also agreed to make best efforts to negotiate a mutually beneficial arrangement with West Fraser Mills Ltd.

Date Authorized:	September 14, 2001
Date in Force and Effect:	September 26, 2001

C GED Forest Products Ltd.

C GED Forest Products Ltd. is a company owned by the people of the Gitwangak Band. In 1993, C GED acquired the Kitwanga sawmill owned previously by Westar Timber. In 1995, CGED was awarded Forest Licence A48704 in the Cranberry Timber Supply Area. Under this licence, C GED was entitled to harvest up to 100,000 m3 per year for a six-year period. The prime motivation for acquiring the mill and the licence was to provide employment for the band members both in the mill and in the harvesting operation. The company has 75 employees.

The company experienced financial setbacks since its inception due to a variety of reasons. These included a lack of working capital and a bank line of credit; access from the outset to logs at a price that was economic; increase in logging costs and a lack of continuity in experienced management.

In early 2001, the C GED mill was operating on a 100 per cent lumber export program wherein foreign customers were sold both logs and lumber to assist with a more even flow of lumber.

C GED requested that it be permitted to export up to 35 per cent of the volume that it would harvest from the date this Plan was authorized until December 31, 2003. Based upon the projections for the next 63,610 m3 of its harvest, the company was projected to lose a substantial sum if the wood was destined solely for domestic use. The export component (26 per cent) would lower the accounting loss to an amount that would allow logging to proceed.

Components of Plan:

1. The term of this Plan was from the date it was deemed to be in full force and effect until May 31, 2004.

2. C GED Forest Products Ltd. agreed to continue operating the sawmill at Kitwanga and to employ directly and indirectly up to 75 people in the mill and woodland operations. It agreed that the day-to-day operations of the woodlands, sawmill, planer, shipping and marketing were to be guided by a Management Team.

   C GED agreed to enter into a contractual agreement with Interpac Resources to provide financing for the woodland and the manufacturing operations. It also agreed to work cooperatively with the MoF and appropriate stakeholders to develop policy proposals that improved stability of the Northwest forest sector, recognizing that implementation of such policies might entail the phasing out of relevant components in this Economic Plan, and it agreed to present a detailed long term plan to the JPC within 12 months of the date that this plan was in full force and effect.

   MoF, through the regional manager, agreed to extend the term of Forest Licence A48704 until May 31, 2004. It agreed to support the ability for C GED Forest Products Ltd. to explore future opportunities to take advantage of market based pricing of timber derived from Forest Licence A48704. MoF agreed to work cooperatively with C GED Forest Products Ltd. and appropriate stakeholders to develop policy proposals that improved stability of the Northwest forest sector, recognizing that implementation of such policies might entail the phasing out of relevant components in this Economic Plan.

4. The regional manager, Prince Rupert Forest Region considered the economic circumstances applicable to Forest Licence A48704, and was satisfied that the timber harvested under Forest Licence A48704 could not be processed economically in the vicinity of the land from which it was cut or produced, and it could not be transported economically to a processing facility located elsewhere in British Columbia. Therefore, in order to stimulate logging activity and increase the supply of logs for domestic sawmills and pulp mills, the regional manager would consider applications for permission to export logs from Forest Licence A48704 under section 128 (2) of the *Forest Act* during the Term of this Economic Plan on the following conditions:

   - the accumulated volume approved for export would not exceed 35 per cent of the volume of logs scaled under Forest Licence A48704 within each calendar year;
   - applications would be in a form required by the regional manager;
   - when requested, the licensee would promptly provide information regarding harvest and export volumes and relevant economic data to the regional manager;
   - in the event that logs were exported pursuant to the applications referred to above, the fee in lieu of manufacturing would be set at $1/m3; and
   - any approval for permission to export logs granted by the regional manager might stipulate other conditions to be met.

5. Interpac Resources Ltd. agreed to enter into an agreement with the Province to:

   a) i) pay to the Province, when due and payable by C GED, all amounts of stumpage payable by C GED on timber cut from December 1, 2000 until May 31, 2004, including any interest and penalty accrued, accruing or imposed thereon;

      ii) pay to the Province the sum of $6.50/m3 on any wood exported while this Economic Plan was in effect, payable prior to export, with such sums to be applied during the course of the year to the interest on the stumpage payable by CGED, which remained outstanding as of the date of the execution of this Economic Plan, but not including any of the stumpage referred to in paragraph four;

      iii) pay to the Province, when due and payable by C GED, the amounts of all silviculture deposits payable by C GED which became due and payable while this Economic Plan was in effect, at the rate of $4.84/m3; and

      iv) grant to the Province, immediately upon the execution of this Economic Plan, security for the payments referred to in paragraphs (i) through (iii), in a form and amount which the Province, acting reasonably, considered sufficient to secure its full recovery of the total amount of Interpac's potential indebtedness in those respects.

b) provide the funding to pay all of the operating costs relative to the harvest of Forest Licence A48704 and the operation of the sawmill, including but not restricted to payment to the logging contractors, trade suppliers, land leases and employees of C GED Forest Products Ltd.

Date Authorized:	March 8, 2001
Date in Force and Effect:	March 9, 2001

Canema Timber Ltd.

Canema Timber Ltd. (Canema Timber) purchased Forest Licence TSL A16860 from Stewart Forsyth in November 1997. Canema Timber had an AAC of 11,381 m3 with periodic cut control located in the Kispiox TSA. Canema Timber's three shareholders were Copper Bay Contracting Ltd. (Prince Rupert), Nielsen Bros. Inc. (Bellingham) and Probyn Log Ltd. (New Westminster).

Canema Timber utilized Pacific Cascade Consultants to provide forestry, engineering and silviculture staff out of its office in Terrace. Canema utilizes Probyn Log Ltd. based from an office in Prince Rupert for marketing and quality control personnel. Canema Timber estimated it provided 18 jobs in all phases of its harvesting operations, which included engineering and layout, silviculture, sales and marketing, and general administration.

Canema Timber utilized Forsyth Enterprises Ltd. from Hazelton to harvest the timber from the Forest Licence.

Canema Timber projected it would suffer substantial losses if it was unable to export some of the 52,117 m3 it hoped to harvest between early 2001 and March 31, 2002. The company would be able to harvest about one third of the volume during the spring and summer of 2001, while the balance was restricted to a winter logging show. Company management had requested that it be permitted to export up to 47 per cent of the proposed harvest. This would reduce the accounting loss enough to permit logging to proceed.

This Economic Plan was developed to describe commitments required of each of the stakeholders in order to allow the continuation of a base level of employment at Canema Timber and its subsidiary contractors and to maximize the logging effort on TSL A16860 during the five-year term of this agreement.

Components of the Plan:

1. The term of this Plan is for a period from the date it was deemed to be in full force and effect until March 26, 2005.

2. Canema Timber Ltd. agreed to make best efforts to harvest approximately 52,000 m3 from Timber Sale Licence A16860 by March 31, 2002. It agreed to use reasonable commercial efforts throughout the term of the Economic Plan to conduct

normal woodlands operation in the Kispiox TSA within the cut control provisions of FL A16860, and to utilize log sort yard processing facilities within the Kispiox Forest District where it was viable to do so.

Canema Timber agreed to export logs, where permitted to do so, only from existing coastal marketing areas within the Prince Rupert Forest Region, and to use reasonable commercial efforts to make timber harvested under Timber Sale Licence A16860 available at market prices for purchase by persons operating timber processing facilities within the region. Finally it agreed to work cooperatively with MoF and appropriate stakeholders to develop policy proposals that improved stability of the Northwest forest sector, recognizing that implementation of such policies might entail the phasing out of relevant components in this Economic Plan.

3. The MoF confirmed that the regional manager acknowledged that it would be in furtherance of this Economic Plan if the regional manager used his authority under section 2(2) of the Cut Control Regulation to refrain from reducing the AAC of Timber Sale Licence A16860 due to harvest deficiencies in the current cut control period. MoF agreed to work cooperatively with Canema Timber Ltd. and appropriate stakeholders to develop policy proposals that improved stability of the Northwest forest sector, recognizing that implementation of such policies might entail the phasing out of relevant components in this Economic Plan.

4. The regional manager, Prince Rupert Forest Region considered the economic circumstances applicable to Timber Sale Licence A16860, and was satisfied that the timber harvested under Timber Sale Licence A16860 could not be processed economically in the vicinity of the land from which it was cut or produced, and it could not be transported economically to a processing facility located elsewhere in British Columbia. Therefore, in order to stimulate logging activity and increase the supply of logs for domestic sawmills and pulp mills, the regional manager would consider applications for permission to export logs from Timber Sale Licence A16860 under section 128(2) of the *Forest Act* during the Term of this Economic Plan on the following conditions:
   - the accumulated volume approved for export would not exceed 47 per cent of the volume of logs scaled under Timber Sale Licence A16860 within each calendar year;
   - applications would be in a form required by the regional manager;
   - when requested, the licensee would promptly provide information regarding harvest and export volumes and relevant economic data to the regional manager;
   - in the event that logs were exported pursuant to the applications referred to above, the fee in lieu of manufacturing would be set at $1/m3, and
   - any approval for permission to export logs granted by the regional manager might stipulate other conditions to be met.

5. Forsyth Enterprises Ltd. endorsed this Economic Plan.

Authorization Date:	March 26, 2001
Date in Force and Effect:	April 12, 2001

Cattermole Timber

Cattermole Timber (CT) is a long established logging operation situated in Chilliwack. The company is a contract logger and held a forest licence in the Fraser Timber Supply Area with a current AAC of 129,550 m3.

In the face of a continued poor domestic market for hemlock and balsam, company management requested the opportunity to export part of its harvest to reduce losses. CT projected that it would harvest 130,420 m3 over the next 12 months. Without the benefit of being able to export, the company projected it would suffer a large accounting loss. If 50,904 m3 or 39 per cent of the harvest could be exported, the loss would be reduced sufficiently to permit harvesting. According to the information provided, the operation would generate $2 million in stumpage for the Province and secure the continued employment of up to 120 people.

The purpose of this Economic Plan was to address the economic problem confronting the business while generating economic activity and employment in the forest sector.

Components of Plan:

1. The term of this Plan was for the period from which it was deemed to be in full force and effect until July 31, 2002.
2. Cattermole Timber agreed to make best efforts to harvest a total of 130,420 m3 from Forest Licence A19202 during the term of this Plan. It agreed to only apply for exemption to export unmanufactured timber from Forest Licence A19202 under the following conditions:

    i) the accumulated volume of timber from Forest Licence A19202 approved for export and under application would not exceed 39 per cent of the volume of timber scaled under Forest Licence A19202 during the term of the plan;
    ii) applications would not include cedar and cypress; and
    iii) applications would include a comparison of volume scaled to date versus volume approved or applied for export to date.

    Cattermole agreed to keep its stumpage current during the term of the Plan.

3. The MoF agreed to prepare an Order in Council (OIC) which would authorize the export of up to 50,904 m3 of timber, excluding cedar and cypress, from Forest Licence A19202 between the date of authorization of this Economic Plan and July 31, 2002. The ministry would take this OIC forward to Cabinet with a favourable recommendation.

Date Authorized:	August 30, 2001
Date in Force and Effect:	September 28, 2001

International Forest Products Limited

International Forest Products Ltd. (Interfor) is a forest products company with logging and sawmilling facilities and operations based primarily in coastal British Columbia. The operations include various logging interests working in widely dispersed timber areas. The employment associated with the North Coast operation is 180 people.

Interfor was the subject of an Economic Plan in 1999, which through log exports permitted the company to harvest stands which were otherwise uneconomic. In addition, the increased level of logging provided sufficient volume and cash flow to permit the company to re-establish its mill operations in Squamish.

Interfor held Forest Licence A16841 in the North Coast Forest District with an Allowable Annual Cut (AAC) of 226,617 m3. The five-year cut control period for the licence ran from 1997 to and including 2001. It was estimated that to early 2001, the company had harvested 729,180 m3, which represented an undercut of 149,652 m3 for the four-year period. The company's plans for 2001 called for it to harvest approximately 274,000 m3, which would allow the company to make up enough of the undercut to achieve over 90 per cent during the current period.

Without the benefit of the initiatives contained within this Economic Plan, a large harvesting loss was estimated in 2001 for Interfor's operations in the North Coast. The initiatives contained within this plan were designed to reduce the loss to a tolerable level. Interfor indicated that they were prepared to undertake the 2001 harvest at the indicated level, under the terms of this Plan.

Components of the plan:

1. The term of this Plan was for a period from the date it was deemed to be in full force and effect until February 28, 2006.

2. Interfor agreed to make best efforts to harvest approximately 274,000 m3 from Forest Licence A16841 during 2001, and to use reasonable commercial efforts throughout the term of the Economic Plan to conduct normal woodlands operations in the North Coast Timber Supply Area within the cut control provisions of Forest Licence A16841.

   Interfor agreed to apply best efforts to maintain cut control requirements during the term of the Economic Plan, and to use reasonable commercial efforts throughout the term of the Economic Plan to operate Squamish Lumber. It agreed to use reasonable commercial efforts to harvest the species profile of the North Coast TSA by harvesting more hemlock than would be possible in the absence of the Economic Plan. The company also agreed to utilize existing log sort yard and processing facilities within the North Coast Forest District where it was financially viable to do so. Logs originating from Surf Inlet might be exported through facilities outside the North Coast Forest District. Interfor would use coastal log marketing areas within the Prince Rupert Forest Region for all other log exports associated with Forest Licence A16841 except in circumstances where it was not financially viable to do so and the regional manager agreed that the proposed arrangement would contribute to Interfor maintaining more regional employment than would occur in the absence of log exports.

   Interfor agreed to use reasonable commercial efforts to make timber harvested from Forest Licence A16841 not utilized in its own mills, available at market prices for purchase by persons operating timber processing facilities within the

Prince Rupert Forest Region. It agreed to honour its commitments to Bear Creek Contracting Ltd. pursuant to the Replaceable Logging Contract for Forest Licence A16841 and pursuant to the Timber Harvesting Contract and Subcontract Regulation, and to use reasonable commercial efforts to utilize suppliers in the Northwest and hire employees from communities in the Northwest; and to work cooperatively with the Ministry of Forests and appropriate stakeholders to develop policy proposals that improved stability of the Northwest forest sector, recognizing that implementation of such policies might entail the phasing out of relevant components in this Economic Plan. Policy areas to consider might include market pricing, pricing and utilization of low grade timber, results-based regulations and cruise versus historical appraisal data.

3. The MoF confirmed that the regional manager acknowledged it would be in furtherance of this Economic Plan if, at the end of the year 2001, the regional manager used his authority under section 2(2) of the Cut Control Regulation to refrain from reducing the AAC of Forest Licence A16841 due to harvest deficiencies, if any, in the 1997-2001 cut control period. MoF agreed to determine stumpage on the new Cutting Permits under Forest Licence A16841 at Scotia River for approximately 67,000 m3 (tentatively cutblocks 207B, 524A, 311J, 225, 330, 62, 221, 4000A & 4000C) utilizing the Market Pricing System as permitted by Sections 1.5 and 2.3.4 of the Coast Appraisal Manual, with adjustments for differences in obligations as set out in chapter seven of the Coast Appraisal Manual, or equivalent authority if any, in subsequent revisions and amendments.

   Subject to the Ministry of Forests' decisions regarding carry forward, the ministry agreed to favourably support the use of undercut associated with Forest Licence A16841, if any, toward opportunities for First Nations provided that the timber harvesting rights of Interfor's contractors were respected. It also agreed to work cooperatively with Interfor and appropriate stakeholders to develop policy proposals that improve stability of the Northwest forest sector, recognizing that implementation of such policies might entail the phasing out of relevant components in this Economic Plan. In the event that Ayton Creek cut blocks (within the Scotia Creek operating area) were not available for harvest in 2001, it agreed to consider reapportioning unamortized development costs to other cutblocks within the Scotia Creek operating area.

4. The regional manager considered the economic circumstances applicable to Forest Licence A16841, and was satisfied that the timber harvested under the tenure could not be processed economically in the vicinity of the land from which it was cut or produced, and it could not be transported economically to a processing facility located elsewhere in British Columbia. In order to ensure logging operations continued and to protect the supply of logs to domestic sawmills and pulp mills, the regional manager considered applications for permission to export logs from Forest Licence A16841 under section 128(2) of the *Forest Act* during the Term of this Economic Plan on the following conditions:
   - the accumulated volume approved for export would not exceed 30 per cent of the volume of logs scaled under Forest Licence A16841 within each calendar year;
   - all grades of fir, hemlock, balsam and spruce would be eligible for export;
   - exemption applications would be in a form required by the regional manager;
   - when requested, the licensee would promptly provide information regarding harvest and export volumes and relevant economic data to the regional manager;

- in the event that logs were exported pursuant to the applications referred to above, the fee in lieu of manufacturing would be set at $1/m3; and
- any approval for permission to export logs granted by the regional manager might stipulate other conditions to be met.

5. Bear Creek Contracting Ltd. endorsed this Economic Plan.

6. Truck Loggers' Association endorsed this Economic Plan.

Date Authorized:	March 21, 2001
Date in Force and Effect:	April 12, 2001

J.S. Jones Timber Ltd.

J.S. Jones Timber (Jones), a division of Teal Cedar Products Ltd., operates a sawmill in Boston Bar and has harvesting operations in the Boston Bar area, near Pitt Lake and on the Queen Charlotte Islands.

Jones acquired the mill from Fletcher Challenge in 1993, following which the new owners invested over $12 million in capital upgrades. Given the wood profile available to it, the mill was limited to producing dimensional lumber for the North American markets. The company had operated on a double shift however, in 2001 it was just operating on a single shift due to the slumping lumber market. When it operated at close to capacity on a double shift, the mill was capable of producing up to 160 million board feet per annum. It employs 200 people.

During the five years of the recently expired U.S. /Canada Softwood Lumber Agreement (SLA), Jones found that the quota assigned to its mill was sufficient to account for approximately 30.6 per cent of its theoretical productive capacity. As a result, the company had been restricting its production to only 105 million board feet per year.

In February 2000, the company was the subject of an Economic Plan through which, in consideration for continuing to operate the mill in the face of limited export quota, the Province agreed to consider permitting the company to export up to 200,000 m3 of logs. The period during which the Province agreed to consider export and the company agreed to keep the mill operating was from February 2000 until June 30, 2001. In 2001, for a variety of reasons, Jones had only been able to export about 60,000 m3 of the 200,000 m3 of logs it anticipated. In consideration for being allowed to have export considered for the balance of the logs until June 30, 2002, Jones was prepared to make the commitment to operate the Boston Bar mill until June 30, 2002, subject to market conditions not changing adversely.

Components of Plan:

1. The term of this Plan was from May 1, 2001 until June 30, 2002.

2. Ministry of Provincial Revenue agreed to defer payment on $2,085,000 of stumpage relative to the stumpage debt of Columbia River Shake and Shingle Ltd. (Nigei Island) with no principal payments required until June 30, 2002. Interest was to be paid monthly at the prescribed rate commencing on April 30, 2001. It agreed to the repayment of the principal to commence on July 1, 2002 and the last day of the next 29 months, at the monthly rate of $69,500 plus interest for the month, and it agreed that prepayment would be possible without penalty.

3. J.S. Jones Timber agreed to run its Boston Bar mill on a two shift basis until June 30, 2002, consistent with levels of economic activity and average number of employees reached historically over the two year period (1998 and 1999) unless either it received express written consent from the MoF to close or there was a m terial adverse change in market and economic conditions which existed as of February 2000. The company agreed that it would only apply for permits to export unmanufactured timber from harvest licences, that J.S. Jones Timber, a division of Teal Cedar Products Ltd., and its affiliates held or managed and harvested under the following conditions:

   - applications would only be made while the terms were being met;
   - during the term of this Plan, the accumulated volume of exportable timber from the harvest of licences that J.S. Jones Timber and its affiliates held or managed and harvested would not exceed 138,246 m3;
     iii) applications would not include cedar and cypress; and
     iv) applications would include a copy of the export sales invoice for the timber under application plus a comparison of volume scaled to date during the term of the Plan versus volume approved or applied for export in the same period.

   J.S. Jones agreed to keep all future stumpage obligations current, and to pay the interest, on a monthly basis commencing April 30, 2001 and thereafter on the last day of each month until June 30, 2002 on the $2,085,000 of deferred stumpage on Nigei Island. It agreed to pay, on a monthly basis commencing on July 31, 2002 and thereafter on the last day of the month for the next 29 months, $69,500 plus interest towards the $2,085,000 of deferred stumpage on Nigei Island. J.S. Jones agreed to make these commitments without prejudice to the rights of J.S. Jones Timber to dispute the amount of the stumpage assessment.

4. The MoF agreed to prepare an Order in Council (OIC) which would authorize the export of up to 138,246 m3 of timber, excluding cedar and cypress, from the following harvest licences: FL A19201, FL A47273, FL A18699, T0822, FL A16870, Moresby Management Unit of TFL 47 and any Timber Licences within TFL 47 and Timber Licences T0184, T0207, T0255, outside of TFL 47 that J.S. Jones Timber, a division of Teal Cedar Products Ltd. and its affiliates held or managed between the date of authorization of this Plan and June 30, 2002. The ministry would take this OIC forward to Cabinet with a favourable recommendation.

5. Teal Cedar Products Ltd. endorsed the Plan.

6. Columbia River Shake and Shingle Ltd. endorsed the Plan.

Date Authorized:	July 12, 2001
Date in Force and Effect:	July 25, 2001

Kispiox Forest Products Ltd.

Kispiox Forest Products Ltd. (Kispiox), formerly Isolite Stege Forest Products Ltd., operates a sawmill in New Hazelton. Kispiox's total annual allowable cut in the Kispiox TSA is 94,559 m3. Of this volume, 64,124 m3 is contained in replaceable Forest Licence A16818. The remaining volume of 30,435 m3 is in a non-replaceable Forest Licence A57426, with a fixed term of 1998 to 2008.

In June 1995, a major fire at the mill destroyed the operational capacity, and forced its closure. After extensive negotiations and with the help of a March 6, 1996 Economic Plan, the mill was rebuilt and it restarted operations in June 1996. This new mill was designed and built to accommodate larger logs. Due to the industry wide decline in the Forestry Sector and a lack of a secure supply of larger diameter logs, the company, in 1997, lost money on an accounting basis but broke even from a cash flow standpoint (before required capital expenditures). In 1998 Kispiox suffered a large cash loss. During that period, the company's shareholders injected $1 million additional cash into the business and converted $3 million of debt to preferred shares.

As a result of the continuing large losses being suffered by Kispiox, one of the company's main creditors, a chartered bank, demanded repayment of its operating facilities in November 1998, with a three-month horizon. Concurrent with that, the company, under the direction of the chartered bank, sought protection from its creditors under the *Bankruptcy and Insolvency Act*.

The other major secured creditors agreed to leave their advances in place and worked with Kispiox to resolve the situation. They extended the repayment terms on their loans to accommodate the needs of the business. In June 1999, the company's creditors voted to accept the proposal by the company to repay the existing debt in full over time.

The JPC engaged an independent industry consultant to review the needs of Kispiox and the major findings were positive. The consultant concluded that Kispiox should be financially viable over the medium- and long-term and should be able to service and repay the remaining outstanding debts.

With the principal injecting a total of $1.2 million cash into the business for startup working capital, a test run of the mill was conducted on January 24, 2001. The remission of a portion of the stumpage debt and the forgiveness of the Western Economic Diversification loan, contemplated by this Economic Plan, enabled the company to secure an operating line of credit for long-term requirements. When the final settlement was made to the unsecured creditors on March 31, 2001, the company applied for release from the protection of the *Bankruptcy and Insolvency Act*.

This Economic Plan was intended to define what commitments were necessary from the various stakeholders to enable the company to establish a sound financial base and improve the prospects of long-term viability.

Components of the Plan:

1. Kispiox Forest Products Ltd. agreed to secure a $1.2 million term loan from Amphitrite Fishing Co. Ltd. to be utilized for startup capital; to use reasonable commercial efforts to start a one shift operation commencing February 2001 and a two shift operation as soon as possible after that; to provide satisfactory evidence that the overall labour cost would be

reduced by a minimum of 10 per cent from the fiscal 1998 levels; to continue to source an additional $2 million for future capital expenditures and inventory build-up; and to accept liability for all currently outstanding third party stumpage for purchase logs through Section 131 of the *Forest Act*. The company committed to remaining current on annual licence rents to the MoF, and to not withhold stumpage when it purchased logs from third parties.

Kispiox further agreed to provide MoF with fully developed unlogged blocks containing a total volume equivalent to the cut made available by MoF by September 15, 2001 (i.e. blocks with access roads, silviculture prescriptions, consultation and block layout complete). It committed to maintaining a prepaid balance of up to $50,000 on deposit with MoF for current stumpage liabilities, and to remaining current on filing with Ministry of Finance and Corporate Relations and to remit future Corporate Capital Taxes as they fell due.

2. MoF agreed to the remission of overdue stumpage and other charges in favour of Kispiox Forest Products Ltd. in the amount of $1,388,563.62 (plus any interest that might accrue on this amount from January 2, 2001 to the effective date of the remission). This would forgive and save harmless the company of 50 per cent of the overdue stumpage, interest and other charges, owed as at January 2, 2001. This remission would come into effect once Kispiox had continuously operated the mill on at least a one-shift basis for a three-month period (i.e. five days a week, except for normal shutdowns, holidays, etc.).

   MoF agreed to allow Kispiox to defer the remaining balance of stumpage plus interest and other charges due under the *Forest Act* and Regulations (stumpage) and any interest that might accrue on this amount from January 2, 2001 to the effective date of the remission. This deferral in stumpage, as at January 2, 2001, amounted to a total of $1,388,563.62 including interest accrued at the prescribed rate. The aforementioned amounts would be repaid over the next five operating years based on new saw log deliveries.

   MoF agreed that during the period this plan was in effect, provided the deferred and current stumpage payments were maintained, that the deferred debt would not impair the eligibility of Kispiox and the three other Section 131 accounts, M. Stokes, G. Walter and T. Stege, to bid on any Small Business Forest Enterprise Program (SBFEP) or non SBFEP tenure competitions that might arise in the Prince Rupert Forest Region, except to the extent that future Provincial "tenure reform" or policy prescribes restrictions. MoF agreed that all stumpage on purchased wood would be paid by the mark holders directly to the MoF. MoF agreed to allow Kispiox, following the necessary operational planning and cutting permit application processes, to harvest approximately 50,000 m3 of standing timber designated as prospective SBFEP TSLs A59173, A59175, and A59176 in the vicinity of Nichyeskwa Creek. It committed to allowing the company to make the quarterly payments toward deferred stumpage commencing March 31, 2001 payable April 15, 2001, and to allowing the company to make quarterly payments to keep the interest current commencing March 31, 2001 payable April 15, 2001.

3. Ministry of Finance and Corporate Relations, Tax Policy Branch agreed to the remission of overdue stumpage and other charges in favour of Kispiox Forest Products Ltd. in the amount of $1,388,563.62 (plus any interest that might accrue on this amount from January 2, 2001 to the effective date of the remission). This would forgive and save harmless the company of 50 per cent of the overdue stumpage, interest and other charges, owed as at January 2, 2001. This remission would come into effect once Kispiox had continuously operated the mill on at least a one-shift basis for a three-month period (i.e. five days a week except for normal shutdowns, holidays, etc.).

Ministry of Finance and Corporate Relations, Real Property Tax Branch agreed to defer the 1999 and 2000 property taxes on nine separate legal parcels of real estate (total payable as at January 31, 2001 $131,012.39) to July 3, 2001 with interest accruing at the prescribed rate. The amount then due would be retired by 12 equal monthly installments commencing July 31, 2001, with interest at the prescribed rate, providing Kispiox committed to pay 2001 property taxes when due on July 3, 2001. It also agreed that further identification of the nine properties, details of the deferred payments and deferred statutory notification were clarified in a Letter of Understanding between the Province and Kispiox Forest Products Ltd.

5. Ministry of Finance and Corporate Relations, Corporate Tax Branch agreed to defer $55,991.22 of the Corporate Capital Tax owing as at December 31, 2000 until June 30, 2001, with repayment commencing July 31, 2001 in equal 12 monthly installments plus interest at the posted rate, provided current filings and remittances were maintained up to date.

6. British Columbia Hydro and Power Authority acknowledged its agreement to a new evergreen power purchase contract with Kispiox Forest Products Ltd. It also agreed to provide repayment terms for the current unpaid Hydro debt (o/s $38,000) over a 12-month period with equal monthly installments, commencing July 31, 2001, plus interest at the prescribed rate.

7. Workers' Compensation Board (WCB) agreed to provide repayment terms of the current outstanding WCB premium, penalties and interest of $68,257.29 over a 12-month period with equal monthly principal installments plus monthly non-payment penalty (interest) commencing July 31, 2001. It also agreed that as long as the company remained current with the ongoing remittances and maintained the above repayment schedule, it would keep the WCB debt in abeyance so no further nonpayment penalty charges would be assessed against it.

8. Western Economic Diversification (WED) agreed to prepare and recommend for approval an order to forgive and save harmless the company of $1,055,000 of the obligations of its term loan (current outstanding $1,180,000) provided Western Economic Diversification received a total of $125,000 by way of monthly payments of $25,000 per month commencing July 31, 2001.

9. GE Capital Canada Equipment Financing Inc. (GE Capital) accepted a $804,955 prepayment from Isolite Companies as consideration for releasing any and all security terms held by GE Capital in relation to Isolite's obligation to GE Capital in relation to the Kispiox loan . It agreed to restructure its term loan (approximately $1,986,500 at February 1, 2001) with interest only until March 31, 2001, followed by a modified seven-year amortization schedule with a five-year term, with the remaining balance due April 2006. Additional payments would be received by GE Capital from Tyrer Enterprises Ltd. pursuant to an Assignment of Security.

10. Tyrer Enterprises Ltd. agreed to provide security by way of a $1,800,000 note receivable to cover the outstanding debt owing to G. E. Capital.

11. Amphitrite Fishing Co. Ltd. agreed that the $1,200,000 term loan to Kispiox would be kept in place while the Plan was in force and effect.

Date Authorized:	February 7, 2001
Date in Force and Effect:	February 28, 2001

Lakeside Pacific Forest Products Ltd.

Lakeside Pacific Forest Products Ltd. (LPFP) was formed in early 2000 to acquire the shares of Prettys' Timber Co. Ltd. (PTC). It employs 60 people. This transaction was concluded with the transfer of Forest Licence A19207 to LPFP. The Forest Licence is located in the Fraser Timber Supply Area.

In 2000, LPFP encountered two problems after acquiring the licence. There was a substantial undercut, which meant that the company was obligated to cut beyond the AAC even though log markets were poor. In addition, the prior financial difficulties of PTC were evident since the areas available to LPFP under permit were restricted primarily to low value stands of hemlock and balsam.

LPFP requested that it be permitted to export a portion of its harvest. Its request covered the period from August 1, 2001 until December 31, 2002 during which it anticipated it would harvest approximately 248,399 m3. It was seeking to export up to 123,690 m3 or 49.8 per cent of the harvest volume. The company had provided projections demonstrating that without export it would sustain a significant loss and with the ability to export the loss would be reduced to a level to allow it to operate. The purpose of this Economic Plan was to address the economic dilemma that the company was facing while generating economic activity in the forest sector.

Components of Plan:

1. The term of this Plan is for the period from the date it was deemed to be in full force and effect until December 31, 2002.

2. Lakeside Pacific Forest Products Ltd. agreed to make best efforts to harvest a total of 248,399 m3 from Forest Licence A19207 during the term of this Plan, and it agreed to only apply for exemption to export unmanufactured timber from Forest Licence A19207 under the following conditions. It agreed that the accumulated volume of timber from Forest Licence A19207 approved for export and under application would not exceed 49.8 per cent of the volume of timber scaled under Forest Licence A19207 during the term of the Plan. It also agreed that applications would not include cedar and cypress, and that applications would include a comparison of volume scaled to date versus volume approved or applied for export to date. Finally, Lakeside agreed to keep its stumpage current during the term of the Plan.

3. The MoF agreed to prepare an Order in Council (OIC), which would authorize the export of up to 123,690 m3 of timber, excluding cedar and cypress from Forest Licence A19207 between the date of authorization of this Plan and December 31, 2002. The ministry would take this OIC forward to Cabinet with a favourable recommendation.

Date Authorized:	August 30, 2001
Date in Force and Effect:	September 28, 2001

Lineham Logging Ltd.

Lineham Logging Ltd. (LLL) is a logging contractor located in Chilliwack, employing 35 people. The company provided logging contract services for Canadian Forest Products Ltd. (CFP) on Forest Licence A19213 located in the Soo District at the north end of Harrison Lake and the west side of the Lillooet River.

The principals of LLL proposed that the company be permitted to harvest the shortfall (40,973 m3) between August 2001 and December 31, 2001. Without the benefit of being able to export a portion of the harvest, the projected accounting loss would make logging impractical. By being permitted to export up to 46.9 per cent of the harvest, the accounting loss would be reduced to allow operations to proceed. The profile of the remaining 40,973 m3 was 58.9 per cent hembal, 24.3 per cent fir and the remaining 16.8 per cent made up of cedar and cypress. CFP were agreeable to this process wherein the financial risk was undertaken solely by LLL, the marketing was done jointly and the domestic wood was made available to CFP.

The purpose of this Economic Plan was to address the economic dilemma that the company was facing while generating economic activity in the forest sector.

Components of Plan:

1. The term of this Plan was for the period from the date it was deemed to be in full force and effect until December 31, 2001.

2. Lineham Logging Ltd. agreed to make best efforts to harvest a total of 40,973 m3 from Forest Licence A19213 during the term of the Plan, and to only apply for exemption to export unmanufactured timber from that licence under the following conditions:
    i) the accumulated volume of timber from Forest Licence A19213 approved for export and under application would not exceed 46.9 per cent of the volume scaled under that licence;
    ii) applications would not include cedar and cypress; and
    iii) applications would include a comparison of volume scaled to date versus volume approved or applied for export to date.

    Lineham also agreed to keep its stumpage current during the term of the Plan.

3. The regional manager, Vancouver Forest Region, during the term of this Economic Plan, agreed to consider applications under Section 128(2) of the *Forest Act* for exemptions to export unmanufactured timber from Forest Licence A19213. He also agreed to facilitate evaluation of such applications:

    i) assess and monitor the economic circumstances applicable to Forest Licence A19213, using a methodology that the regional manager considered appropriate to the circumstances and consistent with the criteria of Section 123(a) of the *Forest Act;* and

ii) request from time to time information from the licencee regarding actual and proposed harvest and export volumes, operating and processing costs and other economic data that the regional manager required for the above assessment.

The regional manager agreed to deny any applications that did not meet the criteria of Section 128 of the *Forest Act*, and to stipulate a fee in lieu of manufacturing of $1/m3 for timber from Forest Licence A19213 that was approved for export within the terms of this Economic Plan. Finally, the regional manager agreed that, if appropriate, he would stipulate any conditions to be met in any emption to export timber.

4. The Ministry of Forests endorsed the Plan.

5. Canadian Forest Products Ltd. endorsed the Plan.

6. The Truck Loggers' Association endorsed the Plan.

Date Authorized:	August 30, 2001
Date in Force and Effect:	September 27, 2001

Seaton Timber Inc.

The Seaton Group of companies and the primary operating unit, Seaton Timber Inc., was a family owned and operated vertically integrated forest products operation located in Smithers. The company was founded in 1980 and employs 89 people. Its operations include logging, specialty sawmilling/value-added processing of lumber and chip production. A pallet stock production plant, suited to the low-grade timber in the area, was added later.

The operation experienced serious losses attributed to limited log sales and difficulties in financing inventory to permit selection of optimum log mix. This, combined with startup costs relating to the pallet plant, resulted in a shortage of working capital centred in an extension of trade payables, including stumpage. Efforts were made to reduce term obligations by disposing of surplus equipment, but the annual commitments were still greater than the cash generating ability of the operation, and further reductions continued. The company, together with local staff of the MoF, approached the JPC to try and obtain some temporary relief from the working capital pressures that were being experienced.

It was acknowledged that the company operated on a marginal basis with periods of difficulties over the past many years. However, management was committed to the area and had persisted. Typical of small operations, the focus of the business had shifted with the markets, but the company had consistently been a leader in finding ways to obtain the maximum recovery from the poor quality fibre that was available to it. The company was an important employer in the area.

This Economic Plan served to facilitate access to timber by limiting the amount of deposit required by the MoF on timber sale licences, which were awarded but not yet signed. MoF also agreed to defer payment of outstanding stumpage. This reduced the cash outlays required from the company and thereby provided time for the company to restructure its debts and, if appropriate, reorganize/improve its operation. Indication of support by MoF was an important element in providing the company's management with the reassurance to continue its efforts to put the operation back on a profitable basis.

With some relaxation of the financial requirements to enable the company to access timber, and with pressure of collection action for arrears by MoF removed, the company agreed to review a number of specific areas in an attempt to improve the operation. The following, some of which were underway, were to be explored:

1. Accelerate delivery of logs under trade agreements to reduce commitments and free a portion of a cash deposit held.
2. Continue review of equipment needs and disposal of any equipment that was not absolutely necessary to free cash and reduce term debt payments.
3. Review ways to improve pallet plant production.
4. Reinstate quality measures to assure marketability of chips.
5. Refinance of smaller equipment sales agreements (even though some might be relatively new).
6. Seek additional skip payments on remaining equipment sales contracts.
7. Seek a period of interest only payments from the Bulkley Valley Credit Union loan.
8. Seek (an additional) period of interest only payments on the Bank of Montreal term loan.
9. Confirm continuing availability of a (margined) level of operating loans.
10. Seek continuing support, possibly for timber deposits, through Community Futures.

The company's banking connections were not made a part of this Economic Plan. However, these institutions had consistently been sympathetic to the operation's needs and supportive where possible within normal banking guidelines.

This Economic Plan was developed to remove the threat of inability to access timber and create a more favourable atmosphere in which the company could attempt to refinance/restructure its affairs.

Components of the Plan

1. The Ministry of Forests (MoF) required a deposit not to exceed $75,000 in total for the company's three Timber Sale Licences (A62038, A62037 and A59187). It agreed to hold the total deposit amount until the terms of all three Timber Sale Licences were successfully completed. It required payment of the full deposit amount as specified under Section 7 of the Advertising, Deposits and Disposition Regulation on all subsequent Timber Sale Licences awarded to Seaton Timber.

   MoF deferred payment of arrears of stumpage and other charges including accrued interest owing on logs harvested and scaled up to and including March 11, 2001 (Deferred Stumpage) until December 31, 2001. It required payment upon receipt of invoice, of stumpage for logs harvested and scaled subsequent to March 11, 2001, and it required monthly payments of interest on Deferred Stumpage. It agreed to receive payments to retire Deferred Stumpage by 40 equal monthly installments commencing January 1, 2002. Two installments might be skipped in any calendar year at the discretion of Seaton Timber Inc. and payments might be accelerated without penalty at any time. It also agreed to apply

payments received on Deferred Stumpage firstly to retire amounts owing by Alfred Wahl, secondly to amounts owing by Mount Seaton Mills Ltd. and thirdly to amounts owing by Seaton Timber Inc.

2. Seaton Timber agreed to the requirements of MoF outlined above, relating to deposits and payment of stumpage owing on logs harvested and scaled subsequent to March 31, 2001. In addition, Seaton agreed to fulfill, as required, all of its agreed to responsibilities and obligations as a member of the Road Use Committees in the Bulkley/Cassiar and Kispiox Forest Districts.

3. Seaton Timber Inc., Mount Seaton Mills Ltd. and Alfred Wahl to the extent of their responsibility for arrears of stumpage agreed to the requirements of MoF outlined above relating to Deferred Stumpage, including the order of application of payments on Deferred Stumpage.

Date Authorized:	March 26, 2001
Date in Force and Effect:	April 6, 2001

Simpcw Development Co. Ltd.

Simpcw Development Co. Ltd. (Simpcw) operates a primary sawmill on the North Thompson Indian Band Reserve, located 15 km north of Barriere. It employs 23 people and has been the subject of two previous Economic Plans, one dated October 24, 1997, and the other dated May 3, 2000. These plans enhanced the viability and lowered the total debt levels of the company.

However, in March 2001, the company suffered from low product pricing, poor log quality, adverse working conditions and major equipment breakdowns, which caused cash flow problems. The JPC agreed that the company should first apply to the Department of Indian and Northern Affairs Canada (DIAND) for the needed capital. In May 2001, Simpcw submitted their proposal for $248,672 consisting of $62,410 from Simpcw, $62,168 from DIAND, $70,000 from MoF and an All Nations Trust loan of $54,094.

In November 2001, the project had received final approval from DIAND, conditional on confirmation of project financing. The company had secured prior approval of project financing of $54,094 from All Nations Trust, but required the balance of financing of $70,000. Simpcw earmarked $70,000 from MoF as part of their $248,672 sawmill improvement proposal put forward to DIAND. In light of the current government policy, MoF could not provide any direct assistance. Simpcw renegotiated with All Nations Trust for a standby commitment to increase its loan offer by $26,000 to $80,094, or to a level required to finance the improvement project, but not to exceed $80,094. In order to bridge the necessary project financing gap, Simpcw requested permission from MoF to allow the "topping up" of the financing package by permitting withdrawal of $44,000 held by Integrated Wood Services (IWS) for silviculture purposes. These funds from IWS were budgeted to be repaid by monthly installments and replenished in whole by December31, 2003.

The purpose of this Economic Plan was to assist the company to further modernize and improve its operations.

Components of the Plan:

1. Simpcw Development Co. Ltd. (Simpcw) agreed to employ reasonable commercial efforts to maintain normal operations during the term of the Plan and to make monthly payments to the various stakeholders as outlined in this Plan and previous Plans, as well as maintain all current charges or assessments up to date. Simpcw agreed to remit, or cause to be remitted through IWS, funds for required silviculture obligations (Section 71 of the Forest Practices Code of British Columbia Act) as they fell due, and to repay funds to the North Thompson Indian Band, which were held as deposits on licences of individual band members and used to reduce the overdue stumpage account with MoF. Monthly payments would be dependent on available cash flow as determined by Simpcw, provided all commitments contemplated by this Plan were current.

   The company agreed to postpone all dividend payments, repayment of shareholders' loans or any other removal of equity from the company, and defer making any advances or loans to the related companies except as provided for in this Plan, without the prior written consent of the Job Protection Commissioner.

2. North Thompson Indian Band (NTIB) agreed to maintain the current level of support to Simpcw by way of equity investments.

3. All Nations Trust – At November 21, 2001, Simpcw Development Co. Ltd. was indebted to All Nations Trust in the amount of approximately $225,137 relating to equipment purchases. In an effort to assist the company return to profitability and repay those amounts in full, All Nations Trust agreed to provide a new term loan of up to $80,094 to assist in financing the DIAND capital project under normal terms and conditions. It agreed to continue accepting monthly payments of $11,300 including interest from Simpcw (except during the break-up months of April, May, June and July each year) to be applied towards the outstanding balance; and to stay any collection against Simpcw as long as the above monthly payments on the outstanding loan and any current interest charges were paid as they became due.

4. The Ministry of Forests (MoF) agreed to allow Simpcw to have access to $44,000 in funds held by Integrated Wood Services Ltd. (IWS) for silviculture purposes, providing Simpcw agreed to continue repaying those funds at the rate of $4,400 per month until Simpcw had repaid IWS the full amount of this advance plus the Plan #2 advance, totaling $96,000, on or before December 31, 2003. MoF also agreed not to invoice Simpcw with respect to the above-mentioned $96,000 as required by Section 71(3)(c) of the Forest Practices Code of British Columbia Act until the earlier of when Simpcw had repaid the full $96,000 or December 31, 2003.

5. Royal Bank of Canada (RBC) – At November 21, 2001, Simpcw Development Co. Ltd. was indebted to the RBCanada in the aggregate amount of $331,951. In the interests of ensuring continued support for the company, the RBC agreed to, starting October 1, 2001, accept reduced payments of $7,000 each month including interest from Simpcw. The Bank agreed to continue normal commercial operation of the demand operating loan which required interest to be paid monthly; and to consider, if necessary, temporary bulges in the operating loan/overdraft for Simpcw to accommodate small seasonal cash flow shortfalls, providing arrangements satisfactory to RBC can be agreed upon. The Bank also agreed to reserve the right to act in accordance with the terms and conditions of its loan agreement(s) with Simpcw.

6. Integrated Wood Services Ltd. (IWS) agreed to release funds to Simpcw Development Co. Ltd. in the amount of $44,000 which were held in trust for the company for silviculture purposes, on the understanding that the account would continue to be replenished by monthly payments of $4,400 until Simpcw had repaid IWS the full amount of the original Plan #2 advance, totaling $96,000, and no later than December 31, 2003.

Date Authorized:	November 30, 2001
Date in Force and Effect:	December 7, 2001

Thompson Creek Mining Ltd.

The Endako Mine is located 190 km west of Prince George and 8.5 km southwest of the village of Endako near Highway 16, the road that connects Prince George with Prince Rupert. It is an open pit mine and is one of the world's largest primary producers of molybdenum and the only primary producer of molybdenum in Canada, with a throughput of 27,000 ore tonnes per day. In 1997, Thompson Creek Mining Co. of Colorado and Nissho Iwai Moly Resources Inc. of Vancouver formed a joint venture (75 per cent/25 per cent) and acquired the mine from its previous owner. Funding for the acquisition was provided through Thompson Creek Mining Ltd. by Nissho Iwai Corporation of Tokyo, Japan, with Montreal Trust acting as escrow agents. The agreement called for semi-annual payments of $2,109,000 US, and interest on the outstanding principal amount, that commenced January 10, 1998.

When the price of molybdenum dropped from over $4 US/lb. in 1997 to $2.50 US/lb. in 1998, the JPC was approached to provide assistance in restructuring some of the operating costs as an alternative to shutting down the mine and terminating all 198 employees. An independent review suggested the mine could continue operations if certain costs could be deferred to a later date, when moly prices were expected to rise. Unfortunately, the price of moly remained low and deferrals arranged through an Economic Plan for the company were becoming due and payable. The company issued lay-off notices to its employees effective February 2, 2001 (which was extended to May 4, 2001). The JPC was asked again for assistance.

The consulting firm of AGRA Simons was asked to update its previous review and analysis of the operational and financial viability of the mine. It was noted the mine had instituted several cost cutting measures including the installation of an in-pit crusher. However, these alone were not sufficient to keep the mine operating. It was recommended that further deferrals would be required to improve cash flow, especially in the following year.

This Economic Plan was intended to define what commitments were necessary from the various stakeholders to enable the Endako Mine to continue operating while metal prices were low (approximately $2.20 US/lb in early 2001).

Components of the Plan:

1. Thompson Creek Mining Ltd. agreed to employ reasonable commercial efforts to maintain mine operations at the Endako Mine site during the term of the Plan, and to maintain the arrangements of remittance and response to cash calls

with Thompson Creek Mining Co. It agreed to negotiate discounts on goods and services supplied to the project, with a target level of $250,000 in cost savings, and agreed not to adjust management and hourly rated employees' salaries upward, as planned, before February 1, 2002. It was estimated that, as a result of this concession, there would be a cash flow improvement of approximately $450,000.

Thompson Creek agreed that there would be no effective transfer of ownership or control of the company without the prior consent of the Job Protection Commissioner. This consent would not be unduly withheld. It also agreed that the Plan would be terminated on the repayment to the respective stakeholders of all premiums and deferred monies contemplated by this Plan.

2. Thompson Creek Mining Co. agreed to maintain the arrangements of remittances and responses to cash calls with Thompson Creek Mining Ltd. In the event that Thompson Creek Mining Ltd. was unable to maintain the repayment schedule from cash flow as contemplated in the Escrow Agreement and as amended by this agreement, Thompson Creek Mining Co. would ensure that any shortfall in the repayment schedule would be covered, if necessary, in accordance with existing agreements.

3. Nissho Iwai Corporation agreed to maintain the current arrangements of remittances and responses to cash calls with Nissho Iwai Moly Resources Inc. In the event that Nissho Iwai Moly Resources Inc. was unable to maintain the repayment schedule from cash flow, Nissho Iwai Corporation would ensure that shortfall in the repayment schedule would be covered, if necessary, in accordance with existing agreements.

4. British Columbia Hydro and Power Authority agreed to provide the Endako Mine Site with a discount of up to 50 per cent in Hydro costs for power used in the operation of the mine, for a period of up to one year, from February 2, 2001 to February 1, 2002. This discount might be canceled by the Job Protection Commissioner or might require a premium to be paid of up to 50 per cent over the Hydro bill otherwise payable, depending on the fluctuating price for molybdenum and the U.S./Canadian Dollar exchange rate, in accordance with an attached schedule. British Columbia Hydro agreed that all discounts in Hydro costs received from February 2, 1999 to February 1, 2001, under the January 22, 1999 Economic Plan, might require a premium to be paid of up to 50 per cent over the Hydro bill otherwise payable, depending on the fluctuating prices for molybdenum and the U.S./Canadian Dollar exchange rate in accordance with an attached schedule, but not before March 2, 2005.

5. The Ministry of Energy and Mines agreed to reduce by 50 per cent the mine health and safety inspection fees that would normally be charged for a period of two years. It agreed that there would be no increase in the reclamation bonding requirement for a period of two years, provided there was no material change in the mine plan which would significantly increase the potential liability to the Province.

6. The Ministry of Finance and Corporate Relations agreed that the deferred annual school tax collectable by the Village of Fraser Lake and the tax portion of the property tax bill applicable for the mill site collectable by the Ministry of Finance and Corporate Relations, for each of 1999 and 2000, (which had originally been scheduled for repayment in each of 2001, 2002 and 2003 at the same time current taxes are due and payable) would now be payable in each of 2002 and 2003. Interest charges would be levied at the prescribed rate for overdue taxes, but no penalties for late payment would be assessed.

7. The Village of Fraser Lake and the Regional District of Bulkley Nechako agreed that the portion of deferred property taxes collectable by the Village of Fraser Lake for each of 1999 and 2000 (which had originally been scheduled for repayment in each of 2001, 2002 and 2003 at the same time current taxes are due and payable), would now be payable in each of 2002 and 2003. Interest charges would be levied at the prescribed rate for overdue taxes, but no penalties for late payment would be assessed.

Date Authorized:	March 29, 2001
Date in Force and Effect:	April 10, 2001

Thomson Industries Ltd.

Thomson Industries Ltd. (TIL) is part of the Clarke Group of companies, and through its activities supports 17 FTE jobs. The company holds forest licence A16837 in the North Coast Forest District in Prince Rupert, and has been operating in a number of drainages since 1988. The Annual Allowable Cut is 30,696 m3, however, apart from a small cedar harvesting operation, the company has not harvested during its five year cut control period, which started in 1997. This was attributable to high costs in operating in this remote region combined with low domestic log values.

The company proposed to harvest cutting permit 17 commencing in 2001. TIL foresaw a harvest of 58,803 m3, which without the benefit of an export component would result in a significant accounting loss. With the ability to export up to 50 per cent of the volume, the losses would be reduced to a point to permit operations to proceed. The harvest would result in roughly 29,400 m3 being made available to domestic mills and the Province would receive in excess of $260,000 in stumpage payments.

The purpose of this Economic Plan was to address the economic dilemma that the company was facing while generating economic activity in the forest sector.

Components of Plan:

1. The term of this Plan is from January 1, 2001 until December 31, 2005.

2. Thomson Industries Ltd. agreed to make best efforts to complete harvesting of cutting permit 17 within forest licence A16837 during 2001. It also agreed to make best efforts to complete the necessary planning to obtain cutting permit approvals to ensure harvesting in 2002 through 2005. It agreed to use reasonable commercial efforts throughout the term of the Economic Plan to conduct normal woodlands operations in the North Coast TSA within the cut control provisions of forest licence A16837. Thomson agreed to utilize log sort yard and processing facilities within the North Coast Forest District where it was feasible to do so, and to only apply for permit to export unmanufactured timber from Forest Licence A16837 under the following conditions:

    i) in each calendar year, the accumulated volume of timber from this tenure approved for export and under

application would not exceed 50 per cent of the volume of timber scaled under the tenure within the calendar year;

ii) applications would not include cedar and cypress; and

iii) applications would include a copy of the export sales invoice for the timber under application plus a comparison of volume scaled to date in the calendar year versus volume approved or applied for export in the same period.

Thomson Industries Ltd. agreed to export logs, where permitted to do so, only from existing coastal log marketing areas within the Prince Rupert Forest Region, and to use reasonable commercial efforts to make timber harvested under Forest Licence A16837 available at market rates for purchase by persons operating timber processing facilities within the North Coast Forest District for processing in such facilities. It committed to doing everything reasonably possible in calendar year 2001 to remedy the harvest deficiency. Finally, it agreed to work co-operatively with the Ministry of Forests (MoF) and appropriate stakeholders to develop policy proposals that improve stability of the Northwest Forest sector, recognizing that implementation of such policies might entail phase out of relevant components in this Economic Plan.

3. MoF confirmed that the regional manager acknowledged that, if he was satisfied that Thomson Industries Ltd. had made best efforts to harvest the planned volume of 58,083 m3, it would be in furtherance of this Economic Plan if, at the end of the year 2001, the regional manager used his authority under Section 2(2) of the Cut Control Regulations to refrain from reducing the AAC of Forest Licence A16837 due to harvest deficiencies, if any, during the 1997-2001 cut control period. He agreed to work co-operatively with Thomson Industries Ltd. and appropriate stakeholders to develop policy proposals that improve the stability of the Northwest forest sector, recognizing that implementation of such policies might entail phase out of relevant sections in this Economic Plan.

4. The regional manager, during the term of the Economic Plan, agreed to consider applications under Section 128(2) of the *Forest Act* for permits to export unmanufactured timber from Forest Licence A16837. He also agreed to facilitate evaluation of such applications:

   i) assess and monitor the economic circumstances applicable to Forest Licence A16837 using a methodology that the regional manager considered appropriate to the circumstances and consistent with the criteria of Section 128(3)(b) of the *Forest Act*; and

   ii) request from time to time information from the licencee regarding actual and proposed harvest and export volumes, operating and processing costs and other economic data that the regional manager required for the above assessment.

The regional manager agreed to deny any applications that did not meet the criteria of Section 128 of the *Forest Act*, and to stipulate a fee in lieu of manufacturing of $1/m3 for timber from Forest Licence A16837 that was approved for export on the basis of Section 128(3)(b) of the *Forest Act* within the terms of this Economic Plan, and he agreed, if appropriate, to stipulate in any approval to export timber, conditions to be met.

5. The Truck Loggers' Association endorsed the Plan.

Date Authorized:	April 12, 2001
Date in Force and Effect:	August 17, 2001

Timfor Contractors Ltd.

Timfor Contractors Ltd. (Timfor) conducts a type of ecologically sensitive logging by utilizing a method that leaves young and selected trees standing and minimizes site damage. This method has proven to be effective and the company is the first major logging operation in British Columbia to receive Forest Stewardship Council Certification. It employs 35 people.

Because of initial high costs, some lack of control of contractors in road building design, and a drop in market price of logs, the operation did not generate the level of profit anticipated in 1998. Consequently, payables were seriously extended and the chartered bank position was over approved limits at the beginning of the 1999 season.

To assist in meeting its obligations and permit re-establishment of the logging operation, an Economic Plan was developed and authorized in March 1999. As a part of or in anticipation of this Plan, the company sold harvesting rights, Forest Renewal British Columbia reimbursed the company for some unique costs incurred in establishing the operation, the chartered bank arranged significant reductions in the scheduled repayment of its loans, and Ministry of Forests (MoF) deferred stumpage arrears and a portion of future stumpage. The IWA endorsed the Plan.

The operation overcame its initial problems and was beginning to function much as expected. Outstanding term advances from the Royal Bank were reduced as scheduled. However, the stumpage charges greatly exceeded the expected levels to the point that the operation could not continue to meet its obligations without further assistance or relaxation of those obligations. A second Economic Plan was approved in December 1999, although it was recognized that the financial problems would not be solved in the one season that the Plan covered. Under that Plan all of current stumpage (over $6.89/m3) was permitted to accrue.

Progress was demonstrated and roads and other infrastructure were in place for 2001 operations by the end of 2000. However, while there was a growing demand for the company's certified product, this market demand was not enjoyed immediately during 2000. Approved export sales could not be fully placed and operating delays ultimately limited the total volume produced in the 2000 season. As a result, funds available to reduce previous arrears of stumpage were below what had been anticipated. Payments to the Royal Bank and other trade creditors were essentially maintained but the company was not able to make additional payments against past stumpage from log sales in excess of the projected levels on a $/m3 basis. Nor did the company make all of its current stumpage payments.

The second Economic Plan came to an end and the company's requests for remission of part or all of its accumulated stumpage debt were denied. On February 19, 2001 MoF took legal action and seized part of Timfor's inventory of logs. Operations ceased and negotiations proceeded on ways and means of resolving the dispute and ultimately restoring the Timfor operation.

This Economic Plan was developed in cooperation with MoF, the Royal Bank of Canada and Timfor as a bridging agreement in order to enable the company to complete harvesting of FL A53812. It was estimated that the subject harvesting would be completed during April 2001. The plan enabled a mutually agreed upon standstill arrangement to be undertaken. During the term of this Plan, no deterioration of the position of any of the stakeholders was anticipated. Access to additional fibre, subject to normal bidding, would be required if the operation was to be successful beyond the end of the bridging period and become able to arrange to retire some or all of the accumulated obligations to MoF. A follow up Economic Plan was contemplated when new tenure opportunities could be identified and a plan for financial restructuring negotiated.

Components of the Plan:

1. The term of this Economic Plan was from the day it was deemed to be in full force and effect until June 30, 2001. This plan was deemed to be in full force and effect as soon as all signatures were received by the Job Protection Commissioner and MoF lifted its current seizure of the assets of Timfor.

2. The Ministry of Forests (MoF) agreed to defer all existing stumpage as at December 31, 2000 (the Deferred Stumpage) and accruing interest payable on the Deferred Stumpage until June 30, 2001, subject to availability of estimated cash generation and agreed priorities. MoF agreed to cancel its Notice of Intention to Enforce Security issued under section 244 of the Bankruptcy and Insolvency Act, and not issue any further such notice as long as this Economic Plan remained in force and effect, and it agreed to make no further seizure of the assets of Timfor with respect to the Deferred Stumpage or otherwise enforce any of its rights under the *Forest Act* to collect the Deferred Stumpage, until June 30, 2001.

   MoF, during the term of this Economic Plan, agreed not to enforce liens on any wood or enforce any other rights under the *Forest Act* with respect to the Deferred Stumpage, except to the extent that current stumpage was not paid on wood scaled after December 31, 2000, and would confirm that position to any customers as Timfor directs. It required payment of prevailing stumpage for logs scaled between December 31, 2000 and the expiry of this Economic Plan with those payments being applied only against that current stumpage. MoF further agreed that if new tenure opportunities could be identified, that would provide sufficient harvesting opportunity for Timfor, to work with Timfor, the JPC and possibly new investors or partners in the operation to conclude a mutually agreeable arrangement on Deferred Stumpage and accrued interest.

   MoF agreed that within the term of this Economic Plan, in conjunction with Timfor meeting its commitments, it would:

   - within 30 days of the commencement of this Economic Plan, recommend to the Minister of Forests that he approve advertisement of a competition for a non replaceable forest licence in the Port McNeil Forest District, with a total volume of 60,000 m3, to be located in the vicinity of Timfor's current operating area under FL A53812;

- proceed to advertise, following the commencement of this Economic Plan, a competition for a non-replaceable forest license, open only to Small Business Forest Enterprise Program registrants, in the Mid-Coast Forest District, with an operating area near Snass Lake and with a total volume of 100,000 m3, which competition had received ministerial approval, with those opportunities to be subject to both the requirements of statute and the ministry's evaluation and awards processes.

MoF agreed that the Estimated Available Cash, as estimated in a Schedule of Operating Estimates, would be disbursed in the following order of priority:

- First Priority Interest on Royal Bank Advances
- Second Priority Interest on Deferred Stumpage
- Third Priority $11.75/m3 to reduce Royal Bank term loan
- Fourth Priority Reducing Royal Bank Operating Advances.

3. The Royal Bank of Canada acknowledged that its loans were not in default and it had no intention to change the existing terms and conditions of its loans as set out under the previous Economic Plan, except as they related to accelerated repayment of term debt. It agreed to continue to maintain a $500,000 line of credit in favour of Timfor Contractors Ltd. during the period of this Plan, subject to normal lending guidelines, so long as there was no further deterioration in the overall financial position of the company. Finally it agreed that the Estimated Available Cash, as outlined in a Schedule of Operating Estimates, would be disbursed in the order of priority indicated above.

4. Timfor Contractors Ltd. agreed to have woodworkers' liens removed and agreed to terms with other creditors to allow restoration of normal business operations. It agreed to complete harvesting and/or sale of the fibre from FL A53812, and to continue seeking sources of suitable fibre to fulfill the planned requirements of the operations. Timfor agreed to undertake development of a business and/or restructuring plan that might include additional capital or fibre being bought into the company. With respect to MoF commitments, regarding tenure opportunities discussed with Timfor it:
   1. acknowledged that they would be suitable for Timfor agreed that Timfor intended to submit a proposal on those tenure opportunities if and when they were advertised; and
   3. acknowledged that there was no guarantee that Timfor would be the successful bidder on those or any other tenure opportunities that may be advertised by MoF.

Timfor retained any existing claims against the Province of British Columbia, and would not release them without further agreement between the parties, and it agreed to take no proceedings on claims against the Province while this Economic Plan remained in force and effect. It also agreed that the Estimated Available Cash, as outlined in a Schedule of Operating Estimates, would be disbursed in the order of priority previously listed.

Nothing in this Economic Plan constituted an admission of liability of the Province of British Columbia to Timfor.

Date Authorized:	March 13, 2001
Date in Force and Effect:	March 14, 2001

An addendum to extend the expiry date to October 31, 2001 was authorized July 11, 2001.

Triumph Timber Ltd.

Triumph Timber Ltd. (Triumph Timber) is a company formed in June 2000 with the purpose of purchasing forest licence FL A16820 and related timberlands assets from North Coast Timber Ltd. (West Fraser). The Minister of Forests agreed in principle to the Licence transfer on August 31, 2000. Triumph Timber had an AAC of 153,376 m3, located in the North Coast TSA. It employed 150 people. It was the only licensee actively operating North of Prince Rupert in the North Coast TSA. The company maintains marketing and operational offices in Prince Rupert and forestry and engineering offices in Terrace. Its two main shareholders are Olsen Management Inc. (Olsen) and Probyn Log Ltd. (Probyn).

The objective of Triumph Timber is to harvest the logs produced from FL A16820 and to sell the logs into the open market. North Coast Sawmills would have a first opportunity to purchase domestic sawlog production from Triumph Timber, which was expected to equate to approximately 10 per cent to 15 per cent of the FL volume. Triumph would also give a first opportunity to Skeena Cellulose to purchase pulp logs and was prepared to offer long term supply contracts with pulp mills in the northwest to guarantee a continuity of supply and price.

Triumph Timber projected it would suffer large losses if it was unable to export some of the 227,700 m3 it hoped to harvest in 2001. Company management requested that it be permitted to export up to 78,596 m3 or 35 per cent of the proposed harvest. This would reduce the accounting loss to an amount it could sustain and still operate.

This Economic Plan was developed to describe commitments required of each of the stakeholders in order to allow the continuation of a base level of employment at Triumph Timber and its subsidiary contractors and to maximize the logging effort on FL A16820 during the term of this agreement.

Components of the plan:

1. The term of this Economic Plan was for a period from the date it was deemed to be in full force and effect to December 31, 2005.

2. Triumph Timber Ltd. agreed to make best efforts to harvest 227,700 m3 from FL A16820 during 2001, and to use reasonable commercial efforts throughout the term of the Economic Plan to conduct normal woodlands operations in the North Coast TSA within the cut control provisions of FL A16820. It committed to supplying employment for all of its employees subject to negotiating a mutually agreeable work-sharing program for available work where regular operating activities did not achieve traditional levels. Triumph agreed to utilize a log sort yard and processing facilities within the North Coast Forest District where it was financially viable to do so, and to export logs, where permitted to do so, only from existing coastal log marketing areas within the Prince Rupert Forest Region.

   Triumph agreed to use reasonable commercial efforts to make timber harvested under FL A16820 available at market prices for purchase by persons operating timber-processing facilities within the North Coast Forest District for processing in such facilities. It also agreed to use reasonable commercial efforts to utilize suppliers in the Northwest and hire employees from communities in the Northwest. The company committed to work sharing between the Bill 13 contractors in the event of short-term reductions, and to doing everything reasonably possible in calendar years 2001-2002 to remedy the harvest deficiency, which resulted while West Fraser Mills Ltd. held FL A16820 between 1998-

2000. At the end of the 1998-2002 cut control period, Triumph Timber would apply to the regional manager of the Prince Rupert Forest Region for approval to carry forward any accumulated undercut.

The company agreed to work co-operatively with the Ministry of Forests (MoF) and appropriate stakeholders to develop policy proposals that would improve stability of the northwest forest sector, recognizing that implementation of such policies might entail the phasing out of relevant components in this Economic Plan. Policy areas to be considered might include market pricing, pricing and utilization of low-grade timber, results-based regulations and cruise versus historical appraisal data.

3. MoF, in order to stimulate logging activity and increase the supply of logs for domestic sawmills and pulp mills, provided export approval by Ministerial Order for applications not exceeding 15,000 m3 per application for logs originating from FL A16820 (North Coast TSA) during the Term of the Economic Plan on the following conditions:
    i) up to 35 per cent of logs scaled under FL A16820 within the calendar year were eligible for export approval, as evaluated on a year to date basis at the regional manager's discretion;
    ii) applications and harvest/export reporting would be in a form specified by MoF;
    iii) logging operations would remain uneconomic absent the permission to export, that is, total logging and related costs exceeded total domestic log value, as evaluated by MoF annually, or at the discretion of the regional manager; and
    iv) in the event, that logs were exported pursuant to this component, the fee in lieu of manufacturing would be set at $1/m3.

    MoF agreed to determine stumpage rates on Cutting Permit 55 of FL A16820 utilizing the Market Pricing System adjusted for differences in obligations as set out in Amendment #3, October 1, 2000 (and any subsequent amendments) of the Coast Appraisal Manual. It confirmed that the regional manager acknowledged that it would be in furtherance of this Economic Plan and consistent with the April 6, 1999 Economic Plan of West Fraser Mills Ltd., the previous holder of FL A16820, if the regional manager used his authority under Section 2(2) of the Cut Control Regulations to refrain from reducing the AAC of FL A16820 due to harvest deficiencies in 1998, 1999 and 2000.

    MoF agreed to work co-operatively with Triumph Timber Ltd. and appropriate stakeholders to develop policy proposals that would improve stability of the northwest forest sector, recognizing that implementation of such policies might entail the phasing out of relevant components in this Economic Plan.

4. The Truck Logger's Association endorsed this Economic Plan.

5. Tsibass Construction Ltd. endorsed this Economic Plan.

Date Authorized:	April 11, 2001
Date in Force and Effect:	April 19, 2001

West Coast Forest Products Ltd.

West Coast Forest Products Ltd. (WCFP) is a publicly traded company with the majority of its shares being held by Meeker Cedar Products (1967) Ltd. (MCP). WCFP holds forest licence A20542 in the Fraser Timber Supply Area and employed 15 people. This licence had proven to be unprofitable to harvest in recent years.

The harvesting economics in 2001 remained poor and WCFP requested the ability to export a portion of its harvest. The company anticipated harvesting 51,800 m3 this year, which if it sold exclusively in the domestic market was projected to result in an unsustainable accounting loss. If the company was able to export up to 50 per cent of its harvest, the projected accounting loss would be reduced to a level that would ensure it would be able to meet its principal debt payments, including those to the Province. It was projected that the stumpage paid to the Province during 2001 would amount to $509,684.

The purpose of this Economic Plan was to address the economic dilemma that WCFP was facing, while generating economic activity in the forest sector.

Components of Plan:

1. West Coast Forest Products Ltd. agreed to apply best efforts to harvest a minimum of 51,800 m3 from Forest Licence A20542 and to offer at least 50 per cent of the timber harvested from this tenure to the domestic industry and to maintain a level of employment consistent with historical manning requirements in harvesting FL A20542 during 2001. It agreed to keep its stumpage account current at all times, and to provide a harvesting report to the JPC at the end of 2001.

2. The Ministry of Forests (MoF), in order to stimulate logging activity and to increase the supply of logs for domestic mills, considered the approval of one or more ministerial orders for the export of a maximum of 50 per cent of the timber harvested from the Forest Licence A20542, with 50 per cent going to the domestic market. The exports would be authorized only for the period between the authorization of this Plan and December 31, 2001, if the Minister or his designate was satisfied that the fibre from forest licence A20542 was not economical to harvest and process in the vicinity of its origin, and could not be economically harvested and transported to a processing facility located elsewhere in the province. MoF required a payment of a fee in lieu of manufacturing of $1/m3 on the export of the timber, and might impose other requirements, conditions and limitations in respect of the timber to be exported.

3. Meeker Cedar Products (1967) Ltd. endorsed the Plan.

Date Authorized:	March 30, 2001
Date in Force and Effect:	April 6, 2001

West Fraser Mills Ltd.

West Fraser Mills Ltd. (West Fraser) is a fully integrated forest products company that owns and operates pulp and paper, lumber, fibreboard and home improvement centres in British Columbia, Alberta, Saskatchewan, Ontario and the southeastern U.S.

In 2001, Skeena Sawmills operated on the basis of one shift sawing and two shifts whole log chipping. Unfortunately, economic and market conditions continued to plague the forest industry and the northwest in particular, with no end in sight. The operations of West Fraser in the northwest continued to lose significant amounts of money and they were consequently seeking the implementation of an Economic Plan in accordance with the announcement made by the Minister of Forests on November 28, 2000 to provide increased operating flexibility to the forest sector in northwestern British Columbia. In order to provide longer term stability to local communities and the logging sector, West Fraser was requesting an Economic Plan for a term of five years. However, during the negotiations leading up to this Economic Plan, a provincial election was called. In order to avoid fettering the next administration, while at the same time not disadvantaging contractors who were already working on the harvest, agreement was reached between the parties to limit this Economic Plan to the current harvest cycle.

The company foresaw harvesting 388,000 m3 in 2001 and without the benefit of log exports the harvest would result in a large loss. With the ability to export up to 34 per cent of the volume, the company projected that it would reduce its accounting loss in the harvest to a manageable level.

This Economic Plan was developed to describe the commitments and/or concessions required of each of the stakeholders in order to allow the continuation of current levels of employment at Skeena Sawmills and to maximize the logging effort in the area during 2001.

Components of the Plan:

1. The term of this Economic Plan was from the time it was in full force and effect until December 31, 2001. During the latter half of 2001 consideration would be given to extending this Economic Plan through to December 31, 2005. If during the term of this Economic Plan, certain components needed to be removed or phased out due to policy revisions related to the northwest strategy, the JPC would seek the endorsement of this action from all of the signatories to the plan.

2. West Fraser Mills Ltd. agreed to use reasonable commercial efforts throughout the term of the Economic Plan to maintain at least one shift sawing and two shifts whole log chipping at West Fraser's Skeena Sawmill in Terrace (two shifts chipping subject to continuity of the whole log chipping agreement between Skeena Cellulose and West Fraser Mills). It agreed to resume operations on a two-shift basis at Skeena Sawmills as soon as economic conditions permit, and to apply best efforts to harvest:
    i) within normal cut control requirements of FL A16885;
    ii) within normal cut control requirements of TFL #41; and

iii) at least 50 per cent of the AAC under FL A16882, during calendar year 2001, by normal arrangements or independent logging agreements with its contractors. Independent logging agreements would provide logging contractors an opportunity to harvest timber under West Fraser's tenures (FL A16885, FL A16882 and TFL #41) with contractual terms setting out how the logging contractors will: (1) harvest at their own cost, (2) ensure compliance with laws in harvesting and (3) acquire ownership of and the right to sell the logs harvested. At a minimum, these agreements would specify mutually agreeable conditions on fees to cover West Fraser's development and silviculture costs, and such other conditions as the parties may agree.

West Fraser agreed to only apply for exemptions to export unmanufactured timber from TFL 41 and FL A16885 under the following conditions:

i) the accumulated volume of timber from TFL 41 and FL A16885 exempted and under application for exemptions would not exceed 34 per cent of the volume of timber scaled under these tenures within the calendar year;
ii) applications would not include cedar and cypress;
iii) applications would not be made while West Fraser's Skeena Sawmill was not operating at least one shift;
iv) applications would include a comparison of volume scaled to date in the calendar year versus volume approved or applied for export in the same period; and
v) logs would only be exported, when permitted to do so, from coastal log marketing areas within the Prince Rupert Forest Region.

The company agreed to only export chips under any approved Order in Council during the term of this Economic Plan if the Eurocan pulp mill was operating at the time of export and there was no production reduction due to lack of chips. It also agreed to work co-operatively with MoF and appropriate stakeholders to develop policy proposals within the northwest strategy that improved the stability of the northwest forest sector, recognizing that implementation of such policies might entail the phase-out of relevant components in this Economic Plan.

3. The Ministry of Forests (MoF) agreed to support the concept of "independent logging agreements" between West Fraser and its logging contractors whenever West Fraser was not able to harvest within the normal cut control parameters on its various forest tenures. It confirmed that the Minister of Forests and the regional manager acknowledged that it would be in furtherance of this Economic Plan if the Minister and/or the regional manager used their respective authority under Section 2(2) of the Cut Control Regulation to refrain from reducing the allowable annual cut of Forest Licence A16882 (Nass TSA) and/or Tree Farm Licence #41 if the volume of timber harvested under these licences during calendar year 2001 resulted in a deficiency in annual or periodic cut control requirements provided that the Minister or regional manager, as the case may be, was satisfied that West Fraser made best efforts to harvest at the levels specified in this Economic Plan.

MoF agreed that provided West Fraser's sawmill in Terrace continued to operate at the level referred to in this Economic Plan and provided that during calendar 2001, West Fraser's logging contractors had been given the opportunity to enter into independent logging agreements, it would exempt West Fraser from the licence requirements under FL A16882 and TFL #41 to process during calendar year 2001 all licence harvested timber or equivalent volume in a mill owned or operated by West Fraser.

The Ministry agreed to exempt West Fraser Mills Ltd., during calendar year 2001, from the 35,000 m3 per year export limitation described in point one of the Minister of Forest's October 19, 1990 letter to West Fraser Mills Ltd. regarding consent conditions for the assignment of Forest Licence A16882. It agreed to prepare a draft Order in Council, and take it to Cabinet with a favourable recommendation, for the export of up to 50,000 BDUs of wood chips annually, providing that the chips were surplus to the needs of the domestic pulp mills and West Fraser continued to meet its Economic Plan obligations.

MoF agreed to revise the billing threshold applicable to West Fraser's operations in the Kalum Forest District during calendar year 2001 such that up to 35m3/ha of waste and residue could be left on site without monetary billing, on the understanding that any change in utilization would not affect West Fraser's silviculture obligations. It also agreed to work co-operatively with West Fraser and the appropriate stakeholders to develop policy proposals within the northwest strategy that improved the stability of the northwest forest sector, recognizing that implementation of such policies might entail the phase-out of relevant components in this Economic Plan.

4. The regional manager, Prince Rupert Forest Region agreed that during the term of the Economic Plan, to consider applications under Section 128 (2) of the *Forest Act* for exemptions to export unmanufactured timber from Tree Farm Licence #41 and Forest Licence A16885. He also agreed to facilitate evaluation of such applications:
    i) assess and monitor the economic circumstances applicable to Tree Farm Licence #41 and Forest Licence A16885 using a methodology that the regional manager considered appropriate to the circumstances and consistent with the criteria of Section 128(3)(b) of the *Forest Act*; and
    ii) request from time to time information from the licensee regarding actual and proposed harvest and export volumes, operating and processing costs and other economic data that the regional manager required for the above assessment.

    The regional manager agreed to deny any applications that did not meet the criteria of Section 128 of the *Forest Act*, and to stipulate a fee in lieu of manufacturing of $1/m3 for timber from TFL 41 and FL A16885 that was approved for export on the basis of Section 128(3)(b) of the *Forest Act* within the term of this Economic Plan. If appropriate, it agreed to stipulate in any exemption to export timber, conditions to be met.

5. The Truck Loggers Association agreed to work with West Fraser as appropriate to negotiate independent logging agreements on behalf of its members, and to endorse this Economic Plan.

Date Authorized:	May 9, 2001
Date in Force and Effect:	May 15, 2001

APPROVALS COMPLETED – MEDIATION PLANS

British Columbia Cranberry Growers Association

British Columbia is the third largest growing area of cranberries in the world, generating some 14 per cent of the total world production. There are approximately 85 producers in British Columbia, of which about half are smaller mixed farms or relatively small producers. The 12 largest growers produce the majority of the annual crop. There are approximately 500 full-time and 1,500 part-time employees involved in the British Columbia Cranberry Growers Association. The BCCGA represents growers and the British Columbia Cranberry Marketing Board administers a quota system for controlling producing acreage. Ocean Spray Cranberries is a producer owned co-operative that processes and markets cranberries throughout the world.

Due to recent overproduction in the industry and challenges in marketing that were experienced by Ocean Spray, cranberry prices at the farm gate in 1999 declined to a level that was substantially ($10 US to $15 US) below average production costs, estimated at $25 US/barrel in British Columbia. This condition was forecast to continue through 2001 and gradually start to improve from that time forward. The operational losses and accompanying working capital shortages that were being experienced or anticipated were reportedly challenging the survival of the producers.

Representatives from the industry approached the JPC to recruit the JPC's assistance in identifying and developing ways of supporting producers during the period (estimated two years) when prices were substantially below production costs.

Financial assistance/income assurance programs currently available to British Columbia cranberry growers were Net Income Stabilization Account (NISA) — Federal/Provincial funded, Whole Farm Insurance Program (WFIP) — Federal/Provincial funded and potentially the Farm Distress Operating Loan Guarantee (FDOLG) — Provincially underwritten.

Any benefits from NISA were dependent upon program participation and prior contributions (matched by the Provincial/Federal Governments) to an "insurance" account. In 2001, there were an estimated 32 producers participating in the NISA program, with accounts totaling approximately $2 million.

Payments from WFIP generally lag the operating losses by up to eight months (after year end financial results have been completed and applications submitted, reviewed and authorized) and compensation can be limited by ownership structures. Eligibility requirements for the WFIP program were being reviewed by Federal and Provincial officials and industry representatives. Continuation of these discussions was assumed by this Plan. Modifications to the requirements were hoped to improve eligibility and potential benefits from WFIP for larger complex, corporate, partnership or VCC owned farm operations.

If the Provincial Minister of Agriculture declared the British Columbia cranberry industry in distress, FDOLG would be engaged. It was expected that this declaration would be made and was a component of this Plan. The guarantee provided under the FDOLG program was anticipated to provide immediate bridge financing of growers' working capital

requirements. These bridging loans could then be reduced/retired by potential assistance from WFIP as it became available. Consideration would be given to increasing the maximum guarantee limit under FDOLG on an individual basis if necessary.

Joint discussions were undertaken with growers' representatives, federal and provincial agricultural representatives, Farm Credit Corporation (a potential lender for these expected bridging loans) and the JPC. The situation was discussed and various ways and means of assisting were reviewed. All parties agreed to jointly co-operate in developing and promoting plans to assist British Columbia cranberry growers.

This Mediation Plan was developed to acknowledge the seriousness of the situation and to outline steps to be taken, on a group basis, to review the needs of all growers. As appropriate, separate Mediation Plans might be prepared for individual growers who wished to access the FDOLG program, and whose incremental loan requirements exceed $400,000, which was the practical maximum under present regulations utilizing Ministerial discretion.

Components of the Plan:

1. The Ministry of Agriculture, Food and Fisheries agreed that the Cranberry Industry in British Columbia was in distress, and that the Farm Distress Operating Loan Guarantee (FDOLG) was activated and available to all cranberry growers. It agreed to co-operate with financial institutions and assist in development of Mediation Plans to provide loan guarantees through the FDOLG program to support working capital loans to cranberry growers whose requirements exceeded $400,000. It also agreed to continue reviewing the Whole Farm Insurance program (WFIP), in concert with the Federal Government's Agricultural Income Disaster Assistance program (AIDA), with a view to improving, on a best efforts basis, the potential eligibility and assistance available to all cranberry growers under the program.

2. The British Columbia Cranberry Growers Association acknowledged the assistance available through WFIP of up to $145,000 per individual grower (max. $725,000 under special circumstances). It endorsed the Ministry of Agriculture, Food and Fisheries and Federal AIDA review of WFIP with a view to improving, on a best efforts basis, the potential eligibility and assistance available to all cranberry growers under the program. It endorsed the Ministry of Agriculture's declaration of distress of the cranberry industry in British Columbia and the availability of operating loan guarantees available to eligible growers through the FDOLG program, and it endorsed the Ministry of Agriculture's commitment to assist in development of Mediation Plans for working capital loans to cranberry growers whose requirements exceed $400,000. It encouraged member growers, whose requirements exceeded $400,000, to make financial information available to the JPC, if requested, on a confidential basis so the JPC could review and possibly recommend increased levels of support.

Date Authorized:	November 9, 2000
Date in Force and Effect:	March 5, 2001

Century Pacific Greenhouses Ltd.

Century Pacific has successfully operated greenhouses in Abbotsford for the past nine years. The greenhouse operation at that location was expanded from five acres to eight acres in 1993 and to 19 acres in 1996 by the acquisition of a neighbouring operation. By 1998 the operation totaled 44 acres under glass with the completion of 25 acres in Delta. Century Pacific is one of the larger operations of its kind in North America. A staff of some 350 is employed producing crops of tomatoes and sweet peppers for distribution in Canada and the U.S.

Management shares control of an additional 30 acres of greenhouse and 175 employees through Century Pacific's 50 per cent ownership of Millennium Pacific Greenhouses Partnership. The structure was set up so that there were no cross obligations between these two operations. Century Pacific has earned a reputation for producing a high quality product and introducing innovative crop management and growing techniques to the industry. The management team appears to be strong.

In 1993 Century Pacific became a member of the Western Greenhouse Growers Cooperative Association. In 1996 the principal of Century Pacific, Stephen Fane (who holds a controlling interest in Century Pacific via a family holding company, Vision VI2 Investments Inc.), was instrumental in managing the privatization of the Co-op to form British Columbia Hot House Foods Inc. with Century Pacific becoming one of that company's largest shareholders. Fane is well regarded in the industry. Another shareholder of the company, Kip Woodward, is a director of British Columbia Hot House Foods Inc. and Century Pacific is a member of the British Columbia Hot House Growers Association.

During 2000 the operation suffered two unexpected events. Firstly, a 240,000-litre water storage tank ruptured causing considerable damage. The physical damage to the building and piping systems was covered by insurance but crop revenues for the year fell to about 75 per cent of the expected level. Secondly, natural gas prices escalated towards the end of the year. The actual immediate impact of gas prices on profits was mitigated by adjusting purchases and utilizing alternative stand-by oil heating, but a major cost increase would have to be absorbed in early 2001. This was expected to total some $3 million above the 2000 level for heat and CO2 production and restricted the operation's ability to recoup the crop loss from the 2000 flooding while meeting ongoing commitments.

In spite of these difficulties, a moderate level of profit from operations was recorded for the 11 months ended November 30, 2000. However, the recent rapid growth was reflected in a relatively high level of secured term debt. Scheduled repayment on debt and other commitments had significantly impaired the cash position. The seasonally heavy cash requirements in early 2001 to bring the crop to harvest plus the ongoing increased heating and CO2 costs would cause further impairment to the cash position over the short term. While below earlier expectations, the medium to long-term prospects appeared satisfactory.

Management-prepared cash-flow projections indicated a cash problem peaking in March to May, 2001 and gradual improvement thereafter. The Royal Bank of Canada was prepared to continue to provide the needed operating funding but required a guarantee to add comfort to its position. A 25 per cent guarantee, under the Farm Distress Operating Loan Guarantee (FDOLG) program, administered by the Ministry of Agriculture, Food and Fisheries, of operating loans of up to $5 million for one year was the minimum amount acceptable to the bank.

A concurrently provided additional joint and several guarantee of $750,000 from the major shareholders, Fane and his wife, and the contribution of $100,000 cash and a $80,000 Letter of Credit from Woodward demonstrated the commitment of the shareholder/managers to the operation. The pledge of a $170,000 Letter of Credit from a future shareholder, SCC Canada Inc., which held warrants, was also made available. This new security plus the existing security held by the Royal Bank served to reduce the possibility of a payment being required for this operation under the recommended guarantee.

This Mediation Plan was developed to provide reasonable assurance of the availability of needed working capital funding for the Century Pacific operation for the year 2001.

Components of the Plan:

1. The Ministry of Finance and Corporate Relations agreed to provide a 25 per cent one year loan guarantee under the provisions of the FDOLG program to support a $5 million operating loan to be provided by the Royal Bank of Canada in favour of Century Pacific Greenhouses Ltd.

2. The Royal Bank of Canada agreed to provide a working capital loan in the amount of $5 million in favour of Century Pacific Greenhouses Ltd., supported by the 25 per cent guarantee from the Minister of Finance and Corporate Relations under the FDOLG program and other components of the Mediation Plan enumerated below.

3. Stephen and Maureen Fane agreed to provide a $750,000 joint and several guarantee and required security documentation to the Royal Bank of Canada, and to draw payment for management compensation at a level not exceeding that acceptable to the Royal Bank of Canada.

4. SCC Canada Inc. agreed to provide a $170,000 guarantee and required security documentation to the Royal Bank of Canada, and to suspend interest payments due from Century Pacific Greenhouses Ltd. on a $3.5 million debenture until at least June 30, 2001.

5. Vision VI2 Investments Inc. agreed to provide a $2,250,000 guarantee, supported by a hypothecation of 610,090 Class A common shares in Century Pacific Greenhouses Ltd., to the Royal Bank of Canada to support temporary operating advances of $2 million.

6. Kip Woodward agreed to advance $100,000 for working capital purposes with no interest to be paid until at least June 30, 2001, and to provide a $80,000 guarantee, supported by a $80,000 letter of credit, to the Royal Bank of Canada.

7. Century Pacific Greenhouses Ltd. agreed to provide security as required and adhere to the terms of the subject working capital loan, and to restrict cash payments for management compensation to a level acceptable to the Royal Bank of Canada.

Date Authorized:	January 24, 2001
Date in Force and Effect:	March 5, 2001

Cranwest Farms Limited Partnership

Cranwest Farms Limited Partnership was established in 1982. It employs 10 full-time and 40 part-time workers. Agri Management Corp. is the general partner. The Cranwest farm includes some 280 acres of planted cranberries in Delta. About half of the vines are fully mature and the balance were planted later, the latest being 1999. The directors include Ralph May, who also became a director of Ocean Spray Cranberries Inc., the grower owned marketing organization.

In 2001, a combination of over production and faltering marketing resulted in a difficult position for the North American cranberry industry. The marketing organization was restructured and reported to be gaining increasing markets. The U.S. growers agreed to set aside product and the British Columbia growers were following suit. This would effectively reduce supply and, combined with market efforts, bring back profitability. In the meantime, problems facing the growers were recognized in British Columbia and the industry was declared "in distress".

The Cranwest operation was expected to require $860,000 extraordinary operating funding in 2001 and a further $175,000 in 2002, with a rapidly decreasing need thereafter, in addition to its regular $2 million operating credit. It was hoped that a surplus 6.5 acres of non-agricultural land located adjoining the Tilbury Industrial Park could be sold to improve the working capital position to meet the 2002 and subsequent funding needs. However the property, which is in the agriculture land reserve, could not be prepared for sale and a sale finalized in time to provide the funds required for the current crop year.

The Royal Bank of Canada was prepared to provide the increased operating funding needed by Cranwest providing it obtained a satisfactory guarantee to add comfort to its position. Therefore, to facilitate approval of the increased level of operating funding, a two year 25 per cent guarantee of $860,000 of the operating advances was to be provided under the Farm Distress Operating Loan Guarantee (FDOLG) program administered by the Ministry of Agriculture, Food and Fisheries. After that initial two year period the operation was expected to generate sufficient funds to meet its ongoing requirements, but it would probably require a further two years to restore its operating loans to the previously approved $2 million level if the surplus land had not been sold. The Royal Bank believed that its loans would be in order before the end of 2002, and made this a condition of the operation's ongoing credit terms. Nevertheless, sympathetic consideration could be given to an extension of the guarantee if required after the first two-year period providing there was no material adverse change in risk.

The Royal Bank had also advanced term funds under a number of U.S. "LIBOR" loan agreements. These loans were not reducing, but cross security was held for both the term and operating loans. The joint security on both current and fixed assets provided a margin of protection and lessened the possibility of a payment being required for this operation under the requested FDOLG program guarantee.

This Mediation Plan was developed to provide reasonable assurance of the availability of needed working capital funding for the operation for the coming years.

Components of the Plan:

1. The Ministry of Finance and Corporate Relations agreed to provide a 25 per cent two year loan guarantee under the provisions of the FDOLG program to support $860,000 of the operating loans being provided by the Royal Bank of Canada in favour of Cranwest Farms Limited Partnership.

2. The Royal Bank of Canada agreed to provide operating loans comprising a base amount of $2 million and a special accommodation of up to $860,000 for a total of up to $2,860,000 in favour of Cranwest Farms Limited Partnership in 2001 and reviewed annually thereafter subject to normal lending guidelines. It required fixed charge security on the assets of the limited partnership subject to existing charges. The Bank accepted a 25 per cent guarantee from Ministry of Finance and Corporate Relations under the terms of the Farm Distress Operating Loan Guarantee to support $860,000 of the operating loans.

3. Cranwest Farms Limited Partnership agreed to provide security as required and adhere to the terms of the subject working capital loan. It agreed to restrict capital expenditures, management remuneration and partners' drawings to levels acceptable to the Royal Bank of Canada.

Date Authorized:	March 26, 2001
Date in Force and Effect:	April 11, 2001

Gipaanda Greenhouses Ltd.

Gipaanda Greenhouses is a family company owned by David Ryall (50 per cent) and his parents (25 per cent each). The parents are no longer active in the business. The operation was established in 1971 in Surrey with five acres of greenhouse, growing tomatoes. The operation was relocated to a new 18-acre facility in Delta with the first crop at that location harvested in 1997. Operations also continued at the Surrey location until the summer of 2000 when the crop was harvested slightly prematurely to effect the completion of the sale of the property. Records indicate that the operation achieved a high yield from the facilities. The consolidation at the Delta location resulted in improved operating efficiencies. Approximately 60 people are employed full time with a further 30 seasonal workers required for a total workforce of 90 persons. These employees are members of IWA Local 2171.

An effort to produce cherry tomatoes, a relatively new product for British Columbia Hot House Growers, from 25 per cent of the Delta facility, yielded disappointing financial results. The premature harvest of the last Surrey crop to satisfy the purchasing land developer also reduced anticipated revenue. The escalating cost of natural gas represented a further financial burden. All of these factors lead to a loss position for the year before profit on the sale of the Surrey property. The employees were aware of the problems and agreed to a 10 per cent wage rollback of hourly rates for one year to assist.

The Bank of Nova Scotia provided all necessary term financing for the operation including $900,000 in 2000 for heat storage equipment. However, because of the disappointing results, including the hidden costs of closing the Surrey facility

during the previous season, the company had outstanding operating loans totaling approximately $1.8 million at a time when these advances should be minimal. The bank was not willing to provide the increased operating support needed to see the operation through the 2001 season, and to a lesser extent the 2002 season, without further security for its advances.

Management prepared cash flow projections indicated a cash problem peaking in March to May 2001 at about $1.8 million above the present (extended) level and gradual improvement thereafter. A similar cash requirement peaking at about $1 million or more was expected to reoccur in March to May 2002. The Bank of Nova Scotia was prepared to continue providing needed operating funding for 2001. This ongoing support was subject to the normal terms and conditions outlined in their credit agreement with Gipaanda and was contingent upon obtaining a satisfactory guarantee to add comfort to its position. A 25 per cent guarantee, under the Farm Distress Operating Loan Guarantee (FDOLG) Program, of $2.5 million of outstanding operating loans for three years was the minimum amount acceptable to the bank.

The interlocking security held by the Bank of Nova Scotia (together with the supportive attitude of the workforce) reduced the possibility of a payment being required for this operation under the recommended guarantee. Also, as provision for term debt repayment was made in the cash flow projections, the overall position of the Bank of Nova Scotia was expected to continuously improve.

This Mediation Plan was developed to provide reasonable assurance of the availability of needed working capital funding for the Gipaanda operation for the next three years.

Components of the Plan:

1. The Ministry of Finance and Corporate Relations agreed to provide a 25 per cent three year loan guarantee under the provisions of the Farm Distress Operating Loan Guarantee program to support a $2.5 million operating loan to be provided by the Bank of Nova Scotia in favour of Gipaanda Greenhouses Ltd.

2. The Bank of Nova Scotia agreed to provide an operating credit in the amount of $3.6 million in favour of Gipaanda Greenhouses Ltd. It required fixed charge security on the assets of the company subject to existing charges. The Bank accepted a 25-per cent three-year guarantee from Ministry of Agriculture, Food and Fisheries under the terms of the Farm Distress Operating Loan Guarantee to support $2.5 million of the operating credit.

3. IWA Local 2171 confirmed the willingness of its members to accept a 10 per cent rollback in the hourly rate for a one-year period effective December 25, 2000.

4. David Ryall agreed to draw payment for management compensation at a level not exceeding that acceptable to the Bank of Nova Scotia.

5. Gipaanda Greenhouses Ltd. agreed to provide security as required and adhere to the terms of the subject working capital loan, to restrict cash payments for management compensation to a level acceptable to the Bank of Nova Scotia, and to restrict payment to general management personnel to effect a 10 per cent rollback of salaries for a minimum of a one-year period.

Date Authorized:	February 5, 2001
Date in Force and Effect:	February 20, 2001

Katatheon Farms Group

Katatheon Farms Inc. and Glenwood Valley Farms Ltd. were established in 1988 by Thomas Reinhart, who handles administration, and his brother-in-law, Herbert Schlacht, who oversees day-to-day operations. The two corporate entities are essentially the same business located on the opposite sides of the highway. Approximately one third of the facility is devoted to the growing of cucumbers and the balance is used for growing peppers. The operation expanded in an orderly fashion from an original three acres to 23.5 acres. It is located in Langley and employs 50 people. Sixty per cent of the facilities were commissioned since 1997 and half of that in the last year.

Cash generated from the operation covered annual commitments on term debt until the year 2000, when natural gas costs of $325,000 over the previous year eroded that margin. As the companies' policies were to forward purchase a major portion of its gas requirements, the full impact of the increases had been partially mitigated, but higher costs would be reflected in the 2001 operations. The combination of capital expenditures, startup costs and other interruptions while the latest expansion was absorbed in to the companies' routine, plus the unexpected natural gas price increase, put pressure on the current position. These pressures would require more than just a year's operation to correct. Advances under the operating credit, which should have been almost eliminated at year-end, were outstanding at slightly less than $900,000. (The position had been somewhat extended at the end of 1999 as well.) Seasonal needs prior to crop sales would require more than $1.5 million of additional support. Maintaining scheduled repayments on the Bank of Nova Scotia's term loans would increase the total peak amount of financing required to an estimated $2.7 million. Prior to the Mediation Plan, the approved operating loan limit was $2 million.

The Bank of Nova Scotia was prepared to continue to provide needed operating funding providing it obtained a satisfactory guarantee to add comfort to its position. Therefore, to facilitate approval of the increased level of operating funding, a two year 25 per cent guarantee of $2.5 million of the operating advances was to be provided under the Farm Distress Operating Loan Guarantee (FDOLG) program administered by the Ministry of Agriculture, Food and Fisheries. This amount was slightly less than had been requested and was the minimum guarantee acceptable to the bank.

The Bank of Nova Scotia had advanced under a number of term loan agreements. Joint security held on both current and fixed assets reduced the possibility of a payment being required for this operation under the recommended guarantee. Also, as the companies had consistently met the scheduled repayments required under the term loans, and provision was being

made to continue to do so, the overall position of the bank should be reduced by some $700,000 per year from this repayment.

This Mediation Plan was developed to provide reasonable assurance of the availability of needed working capital funding for the joint operation for the coming year.

Components of the Plan:

1. The Ministry of Finance and Corporate Relations agreed to provide a 25 per cent two year loan guarantee under the provisions of the Farm Distress Operating Loan Guarantee program to support $2.5 million of the operating loans being provided by the Bank of Nova Scotia in favour of Katatheon Farms Inc. and Glenwood Valley Farms Ltd.

2. The Bank of Nova Scotia agreed to provide operating loans totaling $2.7 million in favour of Katatheon Farms Inc. and Glenwood Valley Farms Ltd. in 2001 and reviewed annually thereafter subject to normal lending guidelines. It required fixed charge security on the assets of the company subject to existing charges. It agreed to accept a 25 per cent guarantee from Ministry of Finance and Corporate Relations under the terms of the Farm Distress Operating Loan Guarantee to support $2.5 million of the operating loans.

3. Katatheon Farms Inc. and Glenwood Valley Farms Ltd. agreed to provide security as required and adhere to the terms of the subject working capital loan. It agreed to restrict commitments for capital expenditures and cash payments for management compensation to levels acceptable to the Bank of Nova Scotia.

Date Authorized:	March 13, 2001
Date in Force and Effect:	April 11, 2001

Millennium Pacific Greenhouse Partnership

In February 1999 Century Pacific Greenhouses Ltd., through a wholly owned subsidiary, Millennium Pacific Greenhouses Ltd., entered into an equal partnership with 519090 British Columbia Ltd. to construct and operate 15 acres of greenhouses for the production of tomatoes. This partnership is doing business as Millennium Pacific Greenhouse Partnership. It is located in Delta and employs approximately 135 people. The partners decided to double the size of the operation and a second
15-acre greenhouse was completed, and in early 2001 was receiving its first crop.

Under the partnership agreement 519090 British Columbia Ltd. granted the right to use 163 acres of land, which was mortgaged to finance the construction of the greenhouses. In return, 519090 British Columbia Ltd. received an annual preferred return (cumulative) before the remaining profits were split between the partners. The preferred return was calculated as a percentage of the agreed fair market value of the land. This cumulative amount would be paid only when profits of a sufficient amount were generated. The partners also contributed construction management and significant cash totaling approximately $1 million.

The Bank of Nova Scotia provided necessary term financing for the operation. Initial results were below expectations. This resulted from the costs associated with training of the workforce, disruptions caused by the additional construction, a lower than expected yield in the new facility and increasing fuel costs. Because of the disappointing results, the company had outstanding operating loans totaling almost $2 million after retiring construction payables at a time when those advances should have been minimal. The ability to correct the situation quickly was further impaired by the unanticipated increases in energy costs.

Management prepared cash flow projections indicated a cash problem peaking in March to May, 2001 at about $1 million above the $3 million approved level to a total of $4 million, and a gradual improvement thereafter. The Bank of Nova Scotia was prepared to continue to provide needed operating funding providing it obtained a satisfactory guarantee to add comfort to its position. Therefore, to facilitate approval of the increased level of operating funding, a three-year 25 per cent guarantee of $3 million of the operating advances was provided under the Farm Distress Operating Loan Guarantee (FDOLG) program administered by the Ministry of Agriculture, Food and Fisheries. This was the minimum amount of guarantee acceptable to the bank.

The joint security held by the Bank of Nova Scotia on both current and fixed assets lessened the possibility of a payment being required for this operation under the recommended guarantee. Also, as provision for term debt repayment was made in the cash flow projections, the overall position of the bank, and therefore the risk associated with the guarantee, would be reduced by almost $1 million per year from this repayment.

This Mediation Plan was developed to provide reasonable assurance of the availability of needed working capital funding for the Millennium Pacific operation for the coming year.

Components of the Plan:

1. The Ministry of Finance and Corporate Relations agreed to provide a 25 per cent, three-year loan guarantee under the provisions of the Farm Distress Operating Loan Guarantee (FDOLG) program to support $3 million of operating loans being provided by the Bank of Nova Scotia in favour of Millennium Pacific Greenhouse Partnership.

2. The Bank of Nova Scotia agreed to provide operating loans in the amount of $4 million in favour of Millennium Pacific Greenhouse Partnership in 2001 and reviewed annually thereafter, subject to normal lending guidelines. It required fixed charge security on the assets of the company subject to existing charges, and accepted the 25 per cent guarantee from Ministry of Finance and Corporate Relations under the terms of the FDOLG program to support $3 million of the operating loans.

3. Millennium Pacific Greenhouse Partnership agreed to provide security as required and adhere to the terms of the subject working capital loan, and to restrict cash payments for management compensation to a level acceptable to the Bank of Nova Scotia.

Date Authorized:	February 28, 2001
Date in Force and Effect:	April 4, 2001

Mill Creek Wood Products

Mill Creek Wood Products Ltd. (Mill Creek) operated a specialty/value-added sawmill, located on Northern Vancouver Island at Port McNeil. The mill employs 18 people. The company commenced operations in 1996, and was majority owned by Gregory Morris (90 per cent) with the balance of ownership held by Wawadee Mohlaa Development Ltd. (10 per cent).

Mill Creek originally commenced operations with the intention of cutting cypress (yellow cedar) for the Japanese market. The company started out working with Weyerhaeuser as a cut to order mill for their Japanese customers, but was badly affected by the Asian economic downturn in 1997. The company had to refocus its business on cutting large diameter old growth logs, mostly hemlock and balsam, into high-grade (clear & shop) lumber for sale in Japan and Europe. The operations shut down in December 2000 in order to bring inventories down to a more acceptable level.

In Feb./March 2001, the JPC undertook an action plan that consisted of an independent examination of the long-term viability of Mill Creek Wood Products Ltd. The consulting firm of Jim McWilliams and Associates was engaged to assess and review the company's business case for assistance. The report indicated that the company could meet all of its scheduled obligations, provided all stakeholders agreed to the plan.

An Economic Plan was subsequently authorized on April 19, 2001. However, the plan did not proceed to final sign off by all stakeholders. In addition, the marketplace had turned decidedly negative. Derek Morris was negotiating to sell the company, but the talks failed to materialize. In October 2001, the principal filed for bankruptcy under the *Bankruptcy and Insolvency Act*.

STRATEGIC INDUSTRIES

The following strategic industries, based on the cited Standard Industrial Classification (SIC), have been designated by the Lieutenant Governor in Council pursuant to Section 4 of the *Job Protection Act*.

SIC 0311 — Salt Water Fishing Industry

SIC 0312 — Inland Fishing Industry

SIC 0321 — Services Incidental to Fishing

SIC Major Group 04 — Logging Industry

SIC Major Group 06 — Mining Industries

SIC 1021 — Fish Products Industry

SIC 1991 — Other Textile Products Industries

SIC Major Group 25 — Wood Industries

SIC Major Group 27 — Paper and Allied Products Industries

SIC 295 — Non-Ferrous Metal Smelting and Refining Industries

SIC 302 — Fabricated Structural Metal Products Industries

SIC 324 — Truck and Bus Body and Trailer Industries

SIC 327 — Shipbuilding and Repair Industry

SIC 3281 — Boatbuilding and Repair Industry

SIC 5215 — Fish and Seafood, Wholesale

ACTS AND CHARTERS

The *Job Protection Act* affects these provincial Acts and Charters:

British Columbia Railway Act

British Columbia Transit Act

Economic Development Electricity Rate Act

Forest Act

Hydro and Power Authority Act

Industrial Development Incentive Act

Islands Trust Act

Land Act

Mineral Tax Act

Mineral Tenure Act

Mining Tax Act

Municipal Act

Property Transfer Tax Act

School Act

Taxation (Rural Area) Act

Utilities Commission Act

Vancouver Charter

Water Act

Workers Compensation Act

Canadian Cataloguing in Publication Data
British Columbia. Job Protection Commission.
Annual Report – March 4, 1991/December 31, 1991 -

Annual.
Title from cover.
First report covers 10 month period Mar. 4, 1991
to December 31, 1991
ISSN 1192-1099 = Annual report – British Columbia
Job Protection Commission

1. British Columbia. Job Protection Commission –
Periodicals. 2. Manpower policy – British Columbia
– Periodicals. I. British Columbia.

HD5713.6.C22B74 354.71100834 C92-092287-2